

# Purcari Wineries Public Company Limited

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PRELIMINARY UNAUDITED CONSOLIDATED  
FINANCIAL INFORMATION

For the year ended 31 December 2022

**Purcari Wineries Public Company Limited**

Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

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## **Contents**

Board of Directors and other officers	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Changes in Equity	5
Notes to the Consolidated Financial Statements	6 – 59

**Purcari Wineries Public Company Limited**

Board of Directors and other officers

*all amounts are in RON, unless stated otherwise*

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**Board of Directors and other Officers****Board of Directors:**

<b>Name</b>	<b>Date of appointment</b>	<b>Title</b>
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 28 April 2021	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 29 April 2020	Non-executive Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 28 April 2022	Non-executive, Independent Director
Victor Bostan	Listing date	Executive Director
Eugen Comendant	Elected by the AGM on 29 April 2020	Executive Director

**Chairman of the Board of Directors:** Vasile Tofan, firstly elected by the Board of Directors to this position on 14 June 2018 and re-elected by the Board on 28 April 2022

**Company Secretary:** Inter Jura CY (Services) Limited

**Independent Auditors:** KPMG Limited  
14, Esperidon Street  
1087 Nicosia  
Cyprus

**Registered office:** 1, Lampousas Street  
1095 Nicosia  
Cyprus

**Registration number:** HE201949

**Purcari Wineries Public Company Limited**

Preliminary Unaudited Consolidated Statement of Financial Position as at 31 December 2022

*all amounts are in RON, unless stated otherwise*

	Note	31 December 2022	31 December 2021 (restated*)
<b>Assets</b>			
Property, plant and equipment	8	209,406,786	167,287,970
Intangible assets and goodwill	12	13,762,566	14,198,244
Non-current receivables	10	-	2,552,630
Loan receivables	11	2,407,049	849,489
Inventories	14	115,481,601	74,895,843
Equity instruments at fair value through profit or loss	10	4,621,285	4,341,709
Other non-current assets		91,374	118,061
<b>Non-current assets</b>		<b>345,770,661</b>	<b>264,243,946</b>
Inventories	14	94,852,193	100,119,797
Loans receivables	11	458,623	-
Trade and other receivables	13	83,471,539	63,320,703
Income tax assets		520,460	131,257
Prepayments		6,482,332	6,346,251
Other current assets		645,285	555,554
Cash and cash equivalents	15	23,455,132	32,100,114
<b>Current assets</b>		<b>209,885,564</b>	<b>202,573,676</b>
<b>Total assets</b>		<b>555,656,225</b>	<b>466,817,622</b>
<b>Equity</b>			
Share capital		1,763,121	1,763,121
Share premium	16	83,184,367	83,184,367
Treasury shares reserve		(1,716,796)	(5,532,543)
Other reserves		923,624	5,079,807
Translation reserve		14,499,224	15,923,833
Retained earnings		175,110,299	142,569,354
<b>Equity attributable to owners of the Company</b>		<b>273,763,839</b>	<b>242,987,939</b>
<b>Non-controlling interests</b>	30	<b>28,921,508</b>	<b>20,215,243</b>
<b>Total equity</b>		<b>302,685,347</b>	<b>263,203,182</b>
<b>Liabilities</b>			
Borrowings and lease liabilities	17	44,186,917	24,851,576
Deferred income	18	12,913,841	7,215,629
Deferred tax liability	27	9,304,355	9,414,581
<b>Non-current liabilities</b>		<b>66,405,113</b>	<b>41,481,786</b>
Borrowings and lease liabilities	17	88,456,366	73,133,087
Deferred income	18	1,561,924	1,967,532
Income tax liabilities		877	1,053,529
Employee benefits	28	5,720,921	4,671,899
Trade and other payables	19	84,505,487	75,346,297
Provisions	25	6,320,190	5,960,310
<b>Current liabilities</b>		<b>186,565,765</b>	<b>162,132,654</b>
<b>Total liabilities</b>		<b>252,970,878</b>	<b>203,614,440</b>
<b>Total equity and liabilities</b>		<b>555,656,225</b>	<b>466,817,622</b>

(\*) See Note 6 for explanation of restatement.

**Victor Bostan**  
Chief Executive Officer

**Victor Arapan**  
Chief Financial Officer

The accompanying notes on pages 6 to 59 are an integral part of these consolidated financial statements.

**Purcari Wineries Public Company Limited**Preliminary Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2022*all amounts are in RON, unless stated otherwise*

	Note	2022	2021 (restated*)
Revenue	20	302,466,378	248,133,715
Cost of sales	21	(171,061,813)	(132,291,220)
<b>Gross profit</b>		<b>131,404,565</b>	<b>115,842,495</b>
Other operating income	24	2,315,938	2,147,737
Marketing and sales expenses	22	(38,775,571)	(30,914,475)
General and administrative expenses	23	(30,368,487)	(27,505,618)
Impairment loss on trade and loan receivables, net	29	(1,407,601)	(2,550,417)
Other operating expenses	25	254,584	5,017,193
<b>Profit from operating activities</b>		<b>63,423,428</b>	<b>62,036,915</b>
Finance income	26	580,199	6,164,989
Finance costs	26	(10,646,299)	(6,077,359)
<b>Net finance income</b>	26	<b>(10,066,100)</b>	<b>87,630</b>
Gain from a bargain purchase	11	14,027,120	-
Share of loss of equity-accounted investees, net of tax	9	-	(558,114)
<b>Profit before tax</b>		<b>67,384,448</b>	<b>61,566,431</b>
Income tax expense	27	(10,170,897)	(10,415,583)
<b>Profit for the year</b>		<b>57,213,551</b>	<b>51,150,848</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences		(1,046,853)	13,954,278
<b>Other comprehensive income for the year</b>		<b>(1,046,853)</b>	<b>13,954,278</b>
<b>Total comprehensive income for the year</b>		<b>56,166,698</b>	<b>65,105,126</b>
<b>Profit attributable to:</b>			
Owners of the Company		52,944,030	47,014,169
Non-controlling interests	30	4,269,521	4,136,679
		<b>57,213,551</b>	<b>51,150,848</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		51,519,420	59,444,317
Non-controlling interests	30	4,647,278	5,660,809
		<b>56,166,698</b>	<b>65,105,126</b>
<b>Earnings per share, RON</b>			
Basic and diluted earnings per share	16	<b>1.32</b>	<b>1.18</b>

(\*) See Note 6 for explanation of restatement.

**Purcari Wineries Public Company Limited**

Preliminary Unaudited Consolidated Statement of Cash Flows for the year ended 31 December 2022

all amounts are in RON, unless stated otherwise

	Note	2022	2021 (restated*)
<b>Cash flows from operating activities</b>			
Profit for the year		57,213,551	51,150,848
<i>Adjustments for:</i>			
Depreciation and amortization	8,12	23,773,767	13,762,336
Equity-settled share-based payment transactions	28	(340,436)	6,391,462
Gain on disposal of property, plant & equipment & intangible assets	25	309,084	(710,713)
Gain from bargain purchase		(14,027,120)	-
Impairment of property, plant and equipment, net	8	(80,141)	(80,142)
Impairment of trade receivables, net		1,407,601	2,550,417
Release of deferred income	24	(1,917,100)	(1,500,311)
Gains on write-off of trade and other payables	24	(34,184)	(183,736)
Share of loss of equity-accounted investee, net of tax	9	-	558,114
Adjustment to fair value of biological assets	25	(805,127)	(4,543,697)
Income tax expense	27	10,170,899	10,415,583
Net finance income	26	10,066,100	(87,630)
<b>Operating profit before working capital changes</b>		<b>85,736,894</b>	<b>77,722,531</b>
<i>Changes in working capital:</i>			
Inventories		(28,826,895)	(38,633,602)
Trade and other receivables		(27,243,975)	(8,264,309)
Prepayments		(278,512)	(2,951,582)
Other assets		(78,702)	(480,805)
Employee benefits		933,634	1,313,473
Trade and other payables		1,099,989	22,523,930
Provisions	25	-	(1,266,843)
<b>Cash generated from operating activities</b>		<b>31,342,433</b>	<b>49,962,793</b>
Income tax paid		(9,623,214)	(11,880,476)
Interest paid	17	(2,850,173)	(3,881,020)
<b>Net cash generated from operating activities</b>		<b>18,869,046</b>	<b>34,201,297</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of intangible assets	12	(589,659)	(696,800)
Payments for acquisition of property, plant and equipment	8,17	(32,719,623)	(25,125,524)
Acquisition of equity instruments	11	(261,947)	(3,414,780)
Loans granted		(1,557,560)	(849,488)
Receipt of government grants	18	692,706	4,684,381
Acquisition of subsidiary, net of cash acquired	9,25	(5,433,718)	(3,226,114)
Proceeds from sale of equity instruments		-	4,344,778
Proceeds from sale of property, plant and equipment		730,212	3,004,675
<b>Net cash used in investing activities</b>		<b>(39,139,589)</b>	<b>(21,278,872)</b>
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interests		-	(5,061)
Proceeds from exercise of share options		-	1,175,000
Receipt of borrowings	17	118,052,150	65,756,512
Repayment of borrowings and lease liabilities	17	(86,231,632)	(67,448,002)
Acquisition of treasury shares	16	-	(4,939,636)
Dividends paid		(21,803,297)	(27,577,478)
<b>Net cash generated from / (used) in financing activities</b>		<b>10,017,221</b>	<b>(33,038,665)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(10,253,322)</b>	<b>(20,116,240)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>32,100,114</b>	<b>50,788,605</b>
Effect of movements in exchange rates on cash held		1,608,340	1,427,749
<b>Cash and cash equivalents at 31 December</b>	15	<b>23,455,132</b>	<b>32,100,114</b>

(\*) See Note 6 for explanation of restatement.

The accompanying notes on pages 6 to 59 are an integral part of these consolidated financial statements.

**Purcari Wineries Public Company Limited**

Preliminary Unaudited Consolidated Statement of Changes in Equity for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Other reserves	Translation reserve	Retained earnings			Total
<b>Balance at 1 January 2021</b>	<b>728,279</b>	<b>82,533,921</b>	<b>(4,424,086)</b>	<b>3,029,812</b>	<b>3,375,006</b>	<b>121,125,160</b>	<b>206,368,092</b>	<b>16,262,285</b>	<b>222,630,377</b>
<b>Total comprehensive income (restated*)</b>									
Profit for the year	-	-	-	-	-	47,014,169	47,014,169	4,136,679	51,150,848
Foreign currency translation differences	-	-	-	-	12,489,580	-	12,489,580	1,464,698	13,954,278
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,489,580</b>	<b>47,014,169</b>	<b>59,503,749</b>	<b>5,601,377</b>	<b>65,105,126</b>
<b>Transactions with owners of the Company</b>									
Acquisition of NCI without a change in control	-	-	-	-	59,247	373,275	432,522	(437,583)	(5,061)
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	300,512	300,512
Treasury shares acquired (Note 16)	-	-	(4,939,636)	-	-	-	(4,939,636)	-	(4,939,636)
Shares allocated to employees	-	-	3,831,179	(3,831,179)	-	-	-	-	-
Equity-settled share-based payments (Note 16)	-	-	-	6,391,462	-	-	6,391,462	-	6,391,462
Bonus issue of ordinary shares	1,029,038	(1,029,038)	-	-	-	-	-	-	-
Share options exercised	5,804	1,679,484	-	(510,288)	-	-	1,175,000	-	1,175,000
Dividends	-	-	-	-	-	(25,943,250)	(25,943,250)	-	(25,943,250)
<b>Total transactions with owners of the Company</b>	<b>1,034,842</b>	<b>650,446</b>	<b>(1,108,457)</b>	<b>2,049,995</b>	<b>59,247</b>	<b>(25,569,975)</b>	<b>(22,883,902)</b>	<b>(137,071)</b>	<b>(23,020,973)</b>
<b>Other changes in equity</b>									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,511,348)	(1,511,348)
<b>Total other changes in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,511,348)</b>	<b>(1,511,348)</b>
<b>Balance at 31 December 2021 (restated*)</b>	<b>1,763,121</b>	<b>83,184,367</b>	<b>(5,532,543)</b>	<b>5,079,807</b>	<b>15,923,833</b>	<b>142,569,354</b>	<b>242,987,939</b>	<b>20,215,243</b>	<b>263,203,182</b>
<b>Balance at 1 January 2022</b>	<b>1,763,121</b>	<b>83,184,367</b>	<b>(5,532,543)</b>	<b>5,079,807</b>	<b>15,923,833</b>	<b>142,569,354</b>	<b>242,987,939</b>	<b>20,215,243</b>	<b>263,203,182</b>
<b>Total comprehensive income</b>									
Profit for the year	-	-	-	-	-	52,944,030	52,944,030	4,269,521	57,213,551
Foreign currency translation differences	-	-	-	-	(1,424,609)	-	(1,424,609)	377,756	(1,046,853)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,424,609)</b>	<b>52,944,030</b>	<b>51,519,421</b>	<b>4,647,277</b>	<b>56,166,698</b>
<b>Transactions with owners of the Company</b>									
Shares allocated to employees	-	-	3,815,747	(3,815,747)	-	-	-	-	-
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	6,517,636	6,517,636
Equity-settled share-based payments (Note 16)	-	-	-	(340,436)	-	-	(340,436)	-	(340,436)
Dividends	-	-	-	-	-	(20,403,085)	(20,403,085)	-	(20,403,085)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>3,815,747</b>	<b>(4,156,183)</b>	<b>-</b>	<b>(20,403,085)</b>	<b>(20,743,521)</b>	<b>6,517,636</b>	<b>(14,225,885)</b>
<b>Other changes in equity</b>									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,458,648)	(2,458,648)
<b>Total other changes in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,458,648)</b>	<b>(2,458,648)</b>
<b>Balance at 31 December 2022</b>	<b>1,763,121</b>	<b>83,184,367</b>	<b>(1,716,796)</b>	<b>923,624</b>	<b>14,499,224</b>	<b>175,110,299</b>	<b>273,763,839</b>	<b>28,921,508</b>	<b>302,685,347</b>

(\*) See Note 6 for explanation of restatement.

The accompanying notes on pages 6 to 59 are an integral part of these consolidated financial statements.

## Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

all amounts are in RON, unless stated otherwise

### Note 1. Reporting entity

Purcari Wineries Public Company Limited (“the Company”) is a company domiciled in Cyprus. It was incorporated on 14 June 2007 as a private liability company under the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Company is 1 Lampousas Street, 1095 Nicosia, Cyprus, Tax Identification Number 12201949I. In December 2017 the Company changed its name from Bostavan Wineries Ltd. to Purcari Wineries Ltd., and at the beginning of 2018 became a public limited company and changed its name to Purcari Wineries Public Company Limited.

On 15 February 2018 the Company made a secondary IPO and its shares were admitted for trading at Bucharest Stock Exchange.

The Company has an issued share capital of 401,175 EUR as at 31 December 2022, which consists of 40,117,500 ordinary shares with the nominal value of 0.01 EUR each (2021: 40,117,500 ordinary shares with the nominal value of 0.01 EUR each).

These financial statements are the consolidated financial statements of Purcari Wineries Public Company Limited (the “Company”) and its subsidiaries (together referred to as “the Group”).

The Group is primarily involved in the production and sale of wine and brandy.

#### Subsidiaries

The Group’s subsidiaries and information related to the Company’s ownership interest are presented below:

	Country of incorporation	Ownership interest	
		31 December 2022	31 December 2021
Vinorum Holdings Ltd	Gibraltar	100%	100%
West Circle Ltd	British Virgin Islands	100%	100%
Crama Ceptura SRL	Romania	100%	100%
Ecosmart Union SA	Romania	65.75%	65.75%
Vinoteca Gherasim Constantinescu SRL	Romania	100%	100%
Purcari Wineries Ukraine LLC	Ukraine	100%	100%
Angel’s Estate SA	Bulgaria	76%	-
Vinaria Bostavan SRL	Republic of Moldova	100%	100%
Vinaria Purcari SRL	Republic of Moldova	100%	100%
Vinaria Bardar SA	Republic of Moldova	56.05%	56.05%
Casa Purcari SRL	Republic of Moldova	80%	80%
Domeniile Cuza SRL	Republic of Moldova	100%	100%

The structure of the Group as at 31 December 2022 is as follows:

- Purcari Wineries Public Company Limited is a holding company and is domiciled in Cyprus;
- Vinorum Holdings Ltd is a holding company and is domiciled in Gibraltar;
- West Circle Ltd is a holding company and is domiciled in British Virgin Islands;
- Crama Ceptura SRL is domiciled in Romania. Its major activity is the production, bottling and sale of wines;
- Ecosmart Union SA is domiciled in Romania. Its major activity is providing waste recycling management services;
- Vinoteca Gherasim Constantinescu SRL is domiciled in Romania. Its major activity is cultivation of grapes.
- Purcari Wineries Ukraine LLC is domiciled in Ukraine. Its major activity is trade marketing services for Group’s product portfolio;
- Angel’s Estate SA is domiciled in Bulgaria. Its major activity is the production, bottling and sale of wines;
- Vinaria Bostavan SRL, Vinaria Purcari SRL and Domeniile Cuza SRL are domiciled in Republic of Moldova. Their major activity is the production, bottling and sale of wines;
- Casa Purcari SRL is domiciled in Republic of Moldova and its activity relates to hospitality industry (bar&restaurant);



- Vinaria Bardar SA is domiciled in Republic of Moldova. Its major activity is the production, bottling and sale of brandy and divin. The nominal ownership interest of the Group in Vinaria Bardar SA is 53.91% as at 31 December 2022 (31 December 2021: 53.91%). However, because 3.83% of shares of Vinaria Bardar SA are treasury shares, the effective ownership interest of the Group in the subsidiary is equal to 56.05% as at 31 December 2022 (31 December 2021: 56.05%).

#### *Rights over land*

Moldovan Legislation does not allow non-residents to own freehold land in the Republic of Moldova. In order to be able to exercise control over the land on which the Group's grape vines grow, the entire area of land was acquired by Victoriavin SRL, a related party of the Group. The Group's management considers that the related party should not be consolidated because this party is not controlled by the Company. The land is leased to Vinaria Bostavan SRL and Vinaria Purcari SRL, and on it, the grape vines of these subsidiaries are planted.

Victoriavin SRL is directly and fully owned by Victor Bostan (who is also shareholder of the Company through Amboselt Universal Inc.), and not the Company, because of the prohibition in Moldovan Law for companies with any element of foreign capital (such as subsidiaries) to own agricultural land in the Republic of Moldova. If Moldovan Law would change and this restriction on ownership of agricultural land would be removed, the Company has the option of requiring Victor Bostan to sell to the Company or any of its subsidiaries the relevant agricultural land (free and clear of any liens) for a gross purchase price of up to USD 1,500 per hectare.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is made annually until 30 November in MDL.

## **Note 2. Basis of preparation**

These consolidated financial statements as at and for the year ended 31 December 2022 (hereinafter "consolidated financial statements" or "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law Cap.113.

Details of the Group's accounting policies are included in Note 6 to the consolidated financial statements. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

## **Note 3. Functional and presentation currency**

The consolidated financial statements are presented in Romanian Leu ("RON") as the Group was listed on the Bucharest Stock Exchange (BVB) on 15 February 2018. All amounts have been rounded to the nearest unit, unless otherwise indicated.

Each entity of the Group determines its own functional currency, and items included in its financial statements are measured using the functional currency and is the currency of their primary economic environment.

The currencies of the primary economic environment in which the companies of the Group operate were as follows:

- Purcari Wineries Plc, Vinorum Holdings Ltd, West Circle Ltd - US Dollar (USD),
- Crama Ceptura SRL, Ecosmart Union SA, Vinoteca Gherasim Constantinescu - Romanian Leu (RON),
- Vinaria Bardar SA, Vinaria Bostavan SRL, Vinaria Purcari SRL, Domeniile Cuza SRL, Casa Purcari SRL - Moldovan Leu (MDL),
- Purcari Wineries Ukraine LLC - Ukrainian Hryvnia (UAH),
- Angel's Estate SA – Bulgarian Lev (BGN).

When converting functional currency to RON as presentation currency, IAS 21 requires that assets and liabilities are converted using the closing exchange rate prevailing at each reporting period. Revenue and expenses are converted using the exchange rates prevailing at the transaction date. Equity elements, other than Profit or loss for the year and Translation reserve, are translated using the historical exchange rate at the transaction date.

All foreign exchange rate differences resulting from the translation from functional currency to presentation currency are recognized as a separate component of equity ("Translation reserve") in the Consolidated Statement of Financial Position and in other comprehensive income in the Consolidated Statement of Comprehensive Income.

#### **Note 4. Use of estimates and judgments**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

##### **a) Judgments**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements was included in the following notes:

- Note 10 – whether the Group has significant influence over an investee and recognised gain from disposal of equity instruments;
- Note 25 a) – acquisition of subsidiary that is not a business combination;
- Note 25 b) – classification of joint arrangements;
- Note 28 – management incentive program;
- Note 32 – contingent liabilities from litigations and claims.

##### **b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve-month period was included in the following notes:

- Note 7 (c) – estimates relating to the useful lives of property, plant and equipment;
- Note 10 – assumptions and estimates used in the valuation of equity instruments at fair value through profit or loss;
- Note 25 – assumptions and estimates used in the valuation of harvest of grapes;
- Note 29 – financial instruments (credit risk), measurement of expected credit loss (“ECL”) allowance for trade receivables.

##### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values was included below and in the following notes:

- Note 10 – valuation of equity instruments measured at fair value through profit or loss (“FVTPL”);
- Note 25 – valuation of biological assets (grapes on vines);
- Note 29 – financial instruments (fair values).

#### **Note 5. Basis of measurement**

Management has prepared these consolidated financial statements under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. These consolidated financial statements have been prepared on the historical cost basis, except for:

- biological assets (grapes on vines) which are measured at fair value less costs to sell at point of harvest;
- equity securities measured at FVTPL.

**Note 6. Restatements and errors**

During 2021 the Group, through its subsidiary Crama Ceptura SRL, increased its initial investment of 27% in share capital of Ecosmart Union SA to 65.75% of share capital and voting interests.

The initial accounting for this business combination was incomplete as of 31 December 2021, as the Group recognized a goodwill of RON 6,984,076 from this acquisition, based on book value of identifiable net assets acquired.

After performing a revaluation of the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, there were identified and recognized an intangible asset “Customer Relationships” and updated values for some equipment and vehicles. As consequence, no goodwill resulted from acquisition of Ecosmart Union SA.

The following tables summarize the impacts on the Group’s consolidated financial statements.

Restatement of consolidated statement of financial position as at 31 December 2021:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
<b>Assets</b>			
Property, plant and equipment	167,171,497	116,473	167,287,970
Intangible assets and goodwill	9,050,782	5,147,462	14,198,244
Non-current receivables	2,552,630	-	2,552,630
Loan receivables	849,489	-	849,489
Inventories	74,895,843	-	74,895,843
Equity instruments at fair value through profit or loss	4,341,709	-	4,341,709
Other non-current assets	118,061	-	118,061
<b>Non-current assets</b>	<b>258,980,011</b>	<b>5,263,935</b>	<b>264,243,946</b>
Inventories	100,119,797	-	100,119,797
Trade and other receivables	63,320,703	-	63,320,703
Income tax assets	131,257	-	131,257
Prepayments	6,346,251	-	6,346,251
Other current assets	555,554	-	555,554
Cash and cash equivalents	32,100,114	-	32,100,114
<b>Current assets</b>	<b>202,573,676</b>	<b>-</b>	<b>202,573,676</b>
<b>Total assets</b>	<b>461,553,687</b>	<b>5,263,935</b>	<b>466,817,622</b>
<b>Equity</b>			
Share capital	1,763,121	-	1,763,121
Share premium	83,184,367	-	83,184,367
Treasury shares reserve	(5,532,543)	-	(5,532,543)
Other reserves	5,079,807	-	5,079,807
Translation reserve	16,194,236	(270,402)	15,923,834
Retained earnings	142,714,713	(145,360)	142,569,353
<b>Equity attributable to owners of the Company</b>	<b>243,403,701</b>	<b>(415,762)</b>	<b>242,987,939</b>
<b>Non-controlling interests</b>	<b>16,543,032</b>	<b>3,672,211</b>	<b>20,215,243</b>
<b>Total equity</b>	<b>259,946,733</b>	<b>3,256,449</b>	<b>263,203,182</b>
<b>Liabilities</b>			
Borrowings and lease liabilities	24,851,576	-	24,851,576
Deferred income	7,215,629	-	7,215,629
Deferred tax liability	7,407,095	2,007,486	9,414,581
<b>Non-current liabilities</b>	<b>39,474,300</b>	<b>2,007,486</b>	<b>41,481,786</b>
Borrowings and lease liabilities	73,133,087	-	73,133,087
Deferred income	1,967,532	-	1,967,532
Income tax liabilities	1,053,529	-	1,053,529
Employee benefits	4,671,899	-	4,671,899
Trade and other payables	75,346,297	-	75,346,297
Provisions	5,960,310	-	5,960,310
<b>Current liabilities</b>	<b>162,132,654</b>	<b>-</b>	<b>162,132,654</b>
<b>Total liabilities</b>	<b>201,606,954</b>	<b>2,007,486</b>	<b>203,614,440</b>
<b>Total equity and liabilities</b>	<b>461,553,687</b>	<b>5,263,935</b>	<b>466,817,622</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

Restatement of consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
Revenue	248,133,715	-	248,133,715
Cost of sales	(132,291,220)	-	(132,291,220)
<b>Gross profit</b>	<b>115,842,495</b>	<b>-</b>	<b>115,842,495</b>
Other operating income	2,147,737	-	2,147,737
Marketing and sales expenses	(30,914,475)	-	(30,914,475)
General and administrative expenses	(27,242,431)	(263,187)	(27,505,618)
Impairment loss on trade and loan receivables, net	(2,550,417)	-	(2,550,417)
Other operating expenses	5,017,193	-	5,017,193
<b>Profit from operating activities</b>	<b>62,300,102</b>	<b>(263,187)</b>	<b>62,036,915</b>
Finance income	7,047,317	-	7,047,317
Finance costs	(6,959,687)	-	(6,959,687)
<b>Net finance income</b>	<b>87,630</b>	<b>-</b>	<b>87,630</b>
Share of loss of equity-accounted investees, net of tax	(558,114)	-	(558,114)
<b>Profit before tax</b>	<b>61,829,618</b>	<b>(263,187)</b>	<b>61,566,431</b>
Income tax expense	(10,457,692)	42,109	(10,415,583)
<b>Profit for the year</b>	<b>51,371,926</b>	<b>(221,078)</b>	<b>51,150,848</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences	14,287,944	(333,666)	13,954,278
<b>Other comprehensive income for the year</b>	<b>14,287,944</b>	<b>(333,666)</b>	<b>13,954,278</b>
<b>Total comprehensive income for the year</b>	<b>65,659,870</b>	<b>(554,744)</b>	<b>65,105,126</b>
<b>Profit attributable to:</b>			
Owners of the Company	47,159,528	(145,359)	47,014,169
Non-controlling interests	4,212,398	(75,719)	4,136,679
	<b>51,371,926</b>	<b>(221,078)</b>	<b>51,150,848</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	59,919,511	(475,194)	59,444,317
Non-controlling interests	5,740,359	(79,550)	5,660,809
	<b>65,659,870</b>	<b>(554,744)</b>	<b>65,105,126</b>
<b>Earnings per share, RON</b>			
Basic and diluted earnings per share	<b>1.19</b>	<b>(0.01)</b>	<b>1.18</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

Restatement of consolidated statement of cash flows for the year ended 31 December 2021:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
<b>Cash flow from operating activities</b>			
Profit for the year	51,371,926	(221,078)	51,150,848
<i>Adjustments for:</i>			
Depreciation and amortization	13,499,149	263,187	13,762,336
Equity-settled share-based payment transactions	6,391,462	-	6,391,462
Gain on disposal of property, plant & equipment & intangible assets	(710,713)	-	(710,713)
Impairment of property, plant and equipment, net	(80,142)	-	(80,142)
Impairment of trade receivables, net	2,550,417	-	2,550,417
Release of deferred income	(1,500,311)	-	(1,500,311)
Gains on write-off of trade and other payables	(183,736)	-	(183,736)
Share of loss of equity-accounted investee, net of tax	558,114	-	558,114
Adjustment to fair value of biological assets	(4,543,697)	-	(4,543,697)
Income tax expense	10,457,692	(42,109)	10,415,583
Net finance income	(87,630)	-	(87,630)
<b>Operating profit before working capital changes</b>	<b>77,722,531</b>	<b>-</b>	<b>77,722,531</b>
<i>Changes in working capital:</i>			
Inventories	(38,633,602)	-	(38,633,602)
Trade and other receivables	(8,264,309)	-	(8,264,309)
Prepayments	(2,951,582)	-	(2,951,582)
Other assets	(480,805)	-	(480,805)
Employee benefits	1,313,473	-	1,313,473
Trade and other payables	22,523,930	-	22,523,930
Provisions	(1,266,843)	-	(1,266,843)
<b>Cash generated from operating activities</b>	<b>49,962,793</b>	<b>-</b>	<b>49,962,793</b>
Income tax paid	(11,880,476)	-	(11,880,476)
Interest paid	(3,881,020)	-	(3,881,020)
<b>Net cash generated from operating activities</b>	<b>34,201,297</b>	<b>-</b>	<b>34,201,297</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of intangible assets	(696,800)	-	(696,800)
Payments for acquisition of property, plant and equipment	(25,125,524)	-	(25,125,524)
Acquisition of equity instruments	(3,414,780)	-	(3,414,780)
Loans granted	(849,488)	-	(849,488)
Receipt of government grants	4,684,381	-	4,684,381
Acquisition of subsidiary, net of cash acquired	(3,226,114)	-	(3,226,114)
Proceeds from sale of equity instruments	4,344,778	-	4,344,778
Proceeds from sale of property, plant and equipment	3,004,675	-	3,004,675
<b>Net cash from/ (used in) investing activities</b>	<b>(21,278,872)</b>	<b>-</b>	<b>(21,278,872)</b>
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interests	(5,061)	-	(5,061)
Proceeds from exercise of share options	1,175,000	-	1,175,000
Receipt of borrowings	65,756,512	-	65,756,512
Repayment of borrowings and lease liabilities	(67,448,002)	-	(67,448,002)
Acquisition of treasury shares	(4,939,636)	-	(4,939,636)
Dividends paid	(27,577,478)	-	(27,577,478)
<b>Net cash used in financing activities</b>	<b>(33,038,665)</b>	<b>-</b>	<b>(33,038,665)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(20,116,240)</b>	<b>-</b>	<b>(20,116,240)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>50,788,605</b>	<b>-</b>	<b>50,788,605</b>
Effect of movements in exchange rates on cash held	1,427,749	-	1,427,749
<b>Cash and cash equivalents at 31 December</b>	<b>32,100,114</b>	<b>-</b>	<b>32,100,114</b>

## **Note 7. Significant accounting policies**

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies of subsidiaries have been changed where necessary to adhere to the consistent application of the accounting policies applied by the Group.

### **a) Basis of consolidation**

These consolidated financial statements comprise the financial statements of the parent company Purcari Wineries Public Company Limited and the financial statements of the companies controlled by the Company as at 31 December 2022.

#### *(i) Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply “concentration test” that permits simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

#### *(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *(iii) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### *(iv) Non-controlling interests*

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary’s identifiable net assets.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

#### *(v) Interests in equity-accounted investees*

The Group’s interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the equity-accounted investees include the Group’s share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

#### *(vi) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains or losses arising from transactions with associates are eliminated against the investment to the extent of the Group’s interest in the investee.

**b) Foreign currency**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of each company within Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RON at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RON at the exchange rates at the dates of the transactions. Components of equity are not retranslated but recorded in RON from the initial translation into the presentation currency.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**c) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*Grape vines*

The Group has adopted the amendments to accounting standards IAS 16 *Property Plant and equipment* and IAS 41 *Agriculture* (effective for annual periods beginning on or after 1 January 2016). These amendments result in bearer plants being in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*, to reflect the fact that their operation is similar to that of manufacturing.

Following this amendment, the Group used the fair value of bearer plants (grape vines) as at 1 January 2014 as deemed cost at that date.

*(ii) Subsequent costs*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

*(iii) Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods were as follows:

- buildings and constructions 15-40 years
- equipment 3-25 years
- vehicles 5-12 years
- other fixed assets 2-30 years
- grape vines 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**d) Intangible assets and goodwill**

*(i) Recognition and measurement*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets comprise software, instruction recipes, trademarks and licenses that are acquired by the Group and have finite useful lives. Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

*(ii) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

*(iii) Amortization*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years were as follows:

- software 3-10 years
- instruction recipes 5 years
- trademarks 5.5-10 years
- licenses period of licence validity

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**e) Biological assets**

Biological assets comprise grapes on the vine, which are measured at fair value less costs to sell, with any change therein recognized in profit or loss in other operating expenses.

**f) Inventories**

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of work in progress includes also storage costs, which are necessary in the production process before a further production stage.

The harvested product (grapes) is measured at fair value less cost to sell at the point of harvest. After harvest, it is treated as inventory in accordance with IAS 2.

**g) Financial instruments**

*(i) Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*(ii) Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL.

*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortized cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Other financial liabilities**

The Group classifies non-derivative financial liabilities into the other financial liabilities' category.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities include bank borrowings and trade payables.

(iii) *Derecognition*

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**h) Impairment**

(i) *Non-derivative financial assets*

*Financial instruments*

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### *(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in profit or loss.

### **i) Employee benefits**

#### *(i) Defined contribution plans*

The Group, in the normal course of business makes payments to the National Social Insurance Authority and to the National Medical Insurance Authority on behalf of its Moldovan and Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally required to make defined contributions (included in the social security contributions) to the Moldovan and Romanian State pension plan (a State defined contribution plan).

Compulsory contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) *Short term service benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) *Share-based payments arrangements*

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Since the grant-date fair value of the share options cannot be measured reliably by the Group, an intrinsic value method is applied. The intrinsic value is remeasured at each reporting date and changes are recognised in profit or loss until the instrument is settled.

**j) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**k) Revenue**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
<b>Sale of goods</b>	<p>Customers obtain control of goods when the significant risks and rewards of ownership have been transferred to them. Revenue is recognised at that point in time, although invoices are generated when the goods are dispatched from the Group’s warehouse.</p> <p>Invoices are usually payable within 30-90 days from the date of delivery and acceptance of goods by the customers.</p> <p>No discounts or loyalty points are offered for sale of goods, except for standard contractual discounts included in the invoices issued by the subsidiary Crama Ceptura SRL.</p> <p>Some contracts permit the customer to return an item due to quality claims, and the period for these claims is usually no longer than 15 days from the date of delivery and acceptance of goods by the customers.</p>	<p>Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement and incoterms.</p> <p>For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p>
<b>Hotel and restaurant services</b>	<p>Invoices for hotel and restaurant services are issued on the moment the services are consumed (i.e. at check-out) and usually are paid at check-out.</p>	<p>The revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.</p>
<b>Waste recycling management services</b>	<p>The Group through its subsidiary Ecosmart Union SA takes over the environmental responsibility from its customers in Romania, and has the obligation to find recyclers/ collectors of waste and enter into contracts with them in order to process the quantities agreed with its customers.</p> <p>Invoices for waste recycling management services are usually payable within 30 days.</p>	<p>The revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognize is assessed based on surveys of work performed.</p>

**l) Governments grants**

The Group recognises an unconditional government grant in profit or loss as other operating income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

**m) Subsequent events**

Events occurring after the reporting date, which provide additional information about conditions prevailing at those reporting dates (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the financial statements.

**n) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*(i) As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in “Property, plant and equipment” and lease liabilities in “Borrowings and lease liabilities” in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**o) Finance income and finance costs**

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on financial assets at FVTPL.

Interest income or expense is recognised using the effective interest method.

The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**p) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

*(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

*(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**q) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

*Treasury shares*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**r) Standards issued but not yet effective**

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual period beginning on 1 January 2022. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The management expects that the adoption of the below financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group:

**i) *New IFRSs, Amendments to IFRSs and Interpretations adopted by the EU***

- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts.

**ii) *IFRSs, Amendments to IFRSs and Interpretations not adopted by the EU***

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Non-Current Liabilities with Covenants (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

**Note 8. Property, plant and equipment**

The movements of property, plant and equipment from 1 January 2021 to 31 December 2022 were as follows:

	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
<b>Cost</b>								
<b>Balance at 1 January 2022</b>	<b>5,367,748</b>	<b>9,546,439</b>	<b>128,590,439</b>	<b>120,634,965</b>	<b>11,493,542</b>	<b>6,911,457</b>	<b>37,406,488</b>	<b>319,951,078</b>
Additions	30,036,791	98,529	6,498	53,289	492,700	80,230	2,245,674	33,013,711
Acquisitions through business combinations	-	714,265	25,718,284	15,281,978	528,488	200,021	7,386,155	49,829,191
Transfers	(27,157,213)	40,898	11,632,520	13,050,909	1,656,785	776,101	-	-
Disposals	-	-	(387,167)	(1,579,462)	(427,727)	(34,329)	(195,735)	(2,624,420)
Effect of movement in exchange rates	(133,643)	(60,533)	(161,377)	(681,838)	(74,666)	(407,650)	210,946	(1,308,761)
<b>Balance at 31 December 2022</b>	<b>8,113,683</b>	<b>10,339,598</b>	<b>165,399,197</b>	<b>146,759,841</b>	<b>13,669,122</b>	<b>7,525,830</b>	<b>47,053,528</b>	<b>398,860,799</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>Balance at 1 January 2022</b>	-	<b>574,236</b>	<b>72,952,848</b>	<b>58,448,991</b>	<b>5,485,032</b>	<b>5,283,521</b>	<b>9,918,480</b>	<b>152,663,108</b>
Depreciation for the year	-	163,558	4,251,560	9,096,843	1,384,561	1,088,543	947,635	16,932,700
Increase through business combinations	-	-	8,914,611	11,376,209	196,786	92,059	2,033,792	22,613,457
Impairment loss, net	-	-	(80,141)	-	-	-	-	(80,141)
Disposals	-	-	(316,108)	(819,901)	(373,823)	(12,279)	(45,342)	(1,567,453)
Effect of movement in exchange rates	-	(4,206)	(491,642)	70,877	(473,164)	(220,244)	10,721	(1,107,658)
<b>Balance at 31 December 2022</b>	-	<b>733,588</b>	<b>85,231,128</b>	<b>78,173,019</b>	<b>6,219,392</b>	<b>6,231,600</b>	<b>12,865,286</b>	<b>189,454,013</b>
<b>Carrying amounts</b>								
<b>At 1 January 2022</b>	<b>5,367,748</b>	<b>8,972,203</b>	<b>55,637,591</b>	<b>62,185,974</b>	<b>6,008,510</b>	<b>1,627,936</b>	<b>27,488,008</b>	<b>167,287,970</b>
<b>At 31 December 2022</b>	<b>8,113,683</b>	<b>9,606,010</b>	<b>80,168,069</b>	<b>68,586,822</b>	<b>7,449,730</b>	<b>1,294,230</b>	<b>34,188,242</b>	<b>209,406,786</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
<b>Cost</b>								
<b>Balance at 1 January 2021</b>	<b>5,553,185</b>	<b>7,266,688</b>	<b>115,797,408</b>	<b>103,760,190</b>	<b>9,242,775</b>	<b>5,729,686</b>	<b>28,724,442</b>	<b>276,074,374</b>
Additions	22,158,715	594,421	1,187,878	607,972	115,996	49,958	3,203,441	27,918,381
Acquisitions through business combinations	-	1,172,367	108,532	1,572,910	933,664	50,611	3,312,581	7,150,665
Transfers	(22,638,055)	-	7,427,150	13,651,362	860,870	698,673	-	-
Disposals	-	-	(2,948,077)	(4,887,863)	(421,310)	(34,877)	-	(8,292,127)
Effect of movement in exchange rates	293,903	512,963	7,017,548	5,930,394	761,547	417,406	2,166,024	17,099,785
<b>Balance at 31 December 2021 (restated)</b>	<b>5,367,748</b>	<b>9,546,439</b>	<b>128,590,439</b>	<b>120,634,965</b>	<b>11,493,542</b>	<b>6,911,457</b>	<b>37,406,488</b>	<b>319,951,078</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>Balance at 1 January 2021</b>	-	<b>415,351</b>	<b>66,498,725</b>	<b>52,469,986</b>	<b>3,877,758</b>	<b>4,496,603</b>	<b>6,500,438</b>	<b>134,258,861</b>
Depreciation for the year	-	136,694	3,320,116	7,246,244	1,254,619	499,647	884,197	13,341,517
Increase through business combinations	-	-	108,532	485,494	350,688	16,716	1,990,689	2,952,119
Impairment loss, net	-	-	(80,142)	-	-	-	-	(80,142)
Disposals	-	-	(1,176,611)	(4,766,200)	(139,640)	(31,773)	-	(6,114,224)
Effect of movement in exchange rates	-	22,191	4,282,228	3,013,467	141,607	302,328	543,156	8,304,977
<b>Balance at 31 December 2021 (restated)</b>	-	<b>574,236</b>	<b>72,952,848</b>	<b>58,448,991</b>	<b>5,485,032</b>	<b>5,283,521</b>	<b>9,918,480</b>	<b>152,663,108</b>
<b>Carrying amounts</b>								
<b>At 1 January 2021</b>	<b>5,553,185</b>	<b>6,851,337</b>	<b>49,298,683</b>	<b>51,290,204</b>	<b>5,365,017</b>	<b>1,233,083</b>	<b>22,224,004</b>	<b>141,815,513</b>
<b>At 31 December 2021 (restated)</b>	<b>5,367,748</b>	<b>8,972,203</b>	<b>55,637,591</b>	<b>62,185,974</b>	<b>6,008,510</b>	<b>1,627,936</b>	<b>27,488,008</b>	<b>167,287,970</b>



**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

As at 31 December 2022 property, plant and equipment includes right-of-use assets of RON 5,401,970 (2021: RON 7,095,218) related to leased land, buildings and vehicles (Note 17).

The property, plant and equipment of the Group are located in the following countries:

	<b>31 December 2022</b>	<b>31 December 2021 (restated)</b>
Republic of Moldova	148,195,066	135,693,788
Romania	32,116,758	31,594,182
Bulgaria	29,094,962	-
<b>Total</b>	<b>209,406,786</b>	<b>167,287,970</b>

**Depreciation charge**

Depreciation charge is included in the following financial statement captions:

	<b>2022</b>	<b>2021 (restated)</b>
Cost of sales (Note 21)	7,054,111	5,640,554
General and administrative expenses (Note 23)	4,133,625	2,665,714
Inventories	5,531,089	4,854,388
Unallocated overheads	213,875	180,861
<b>Total</b>	<b>16,932,700</b>	<b>13,341,517</b>

**Security**

The carrying amount of property, plant and equipment that is subject to a registered debenture to secure bank loans is disclosed in Note 17 to the consolidated financial statements. The Group is not involved in any legal disputes that may restrict its ability to use or dispose of its properties.

**Note 9. Acquisition of subsidiaries****Acquisition of Angel's Estate SA**

On 10 October 2022, the Company acquired a 76% stake in the share capital of Angel's Estate SA, a winery domiciled in Bulgaria. The main activity of the acquired company is the production, bottling and sale of wines.

For the period 10 October to 31 December 2022 Angel's Estate SA contributed to the Group's revenue an amount equivalent to RON 3,052,558 and to the Group's net income for the year with a loss in amount of RON 333,491. If the acquisition had occurred on 1 January 2022, management estimates that the consolidated revenue would have been RON 312,408,454 and consolidated profit for the year would have been RON 53,402,350.

*Consideration transferred*

The amount paid by the Company for the acquisition of 76% of shares of Angel's Estate SA amounted to EUR 1,750,000 or equivalent of RON 8,636,075 at the acquisition date.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise**Identifiable assets acquired and liabilities assumed*

The identifiable assets acquired, and liabilities assumed are presented below:

	<u>Amount</u>
Property, plant and equipment	29,541,127
Intangible assets	161,677
Trade and other receivables	1,516,378
Inventories	7,916,487
Cash and cash equivalents	544,252
Deferred tax assets	362,454
Other assets	3,002
Deferred income	(6,674,096)
Trade and other payables	(3,551,286)
	<u><b>29,819,995</b></u>

The identifiable assets acquired, liabilities assumed and related goodwill recognized are measured at provisional amounts based on book values. The initial accounting for this business combination is incomplete as of 31 December 2022, as the Group shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, and the measurement period shall not exceed one year from the acquisition date.

*Goodwill*

As a result of acquisition resulted a gain from bargain purchase, recognized in the profit or loss account (Note 24). Its calculation is presented below.

	<u>Amount</u>
Consideration transferred	8,636,075
Non-controlling interests, based on their proportionate interest in the recognized amounts of the asset and liabilities of Angel's Estate SA	(7,156,800)
Book value of identifiable net assets acquired	29,819,995
<b>Gain from Bargain Purchase</b>	<u><b>(14,027,120)</b></u>

**Acquisition of Ecosmart Union SA**

In March 2017 the Group, through its subsidiary Crama Ceptura SRL, contributed to the foundation of Ecosmart Union SA, contributing RON 108,000 for a 27% share. The main activity of Ecosmart Union SA is providing waste recycling management services, under specific law and authorisation given by State Environment Agency.

At 15 September 2021, the Group, through its subsidiary Crama Ceptura SRL, increased its investment to 55.00% of share capital and voting interests and Ecosmart Union SA became a subsidiary from that date.

On 14 October 2021, the Group increased its investment in Ecosmart Union SA to 65.75% of shares and voting interests.

*Ecosmart Union SA as an equity-accounted investee*

The movement in the investment in Ecosmart Union SA from 1 January 2021 to 15 September 2021 was as follows:

	<u>2021</u>
<b>Balance at 1 January</b>	558,109
Share of loss	(558,109)
<b>Balance at 31 December</b>	<u><b>-</b></u>

The share of loss of equity-accounted investees, net of tax, for the year ended 31 December 2021, was recognized in the profit or loss, up to the carrying amount of investment in Ecosmart Union SA at the date the Group obtained control over it.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

The following table summarises the financial information of Ecosmart Union SA as included in its own financial statements. The table reconciles the summarised financial information to the carrying amount of the Group's interest in Ecosmart Union SA for the period from 1 January to 15 September 2021, because Ecosmart Union SA became a subsidiary on 15 September 2021.

	<b>15 September 2021</b>
<b>Percentage ownership interest</b>	<b>27%</b>
Non-current assets	1,602,471
Current assets	4,890,566
Non-current liabilities	-
Current liabilities	(16,410,891)
Net assets (100%)	(9,917,854)
Group's share of net assets (27%)	-
<b>Carrying amount of investment in associate</b>	<b>-</b>
Revenue	42,077,423
Loss (100%)	11,984,924
Share of loss (27%)	558,109
<b>Group's share of loss</b>	<b>558,109</b>

***Ecosmart Union SA as a subsidiary***

During the whole year of 2022 Ecosmart Union SA was a member of the Group and it was fully consolidated in Group's consolidated financial statements.

For the period 15 September to 31 December 2021 Ecosmart Union SA contributed to the Group's revenue an amount of RON 10,822,974 and to the Group's net income for the year a loss in amount of RON 300,447. If the acquisition had occurred on 1 January 2021, management estimates that the consolidated revenue would have been RON 290,211,138 and consolidated profit for the year would have been RON 50,537,769.

***Consideration transferred***

The amount paid by the Group for the increase in shareholding from 27% to 65.75% amounted to RON 340,000 (RON 328,655 adjusted net of cash acquired from the subsidiary).

***Identifiable assets acquired and liabilities assumed***

The identifiable assets acquired, and liabilities assumed are presented below at their acquisition-date values:

	<b>Book value</b>	<b>Fair value</b>
Property, plant and equipment	1,597,301	1,736,529
Intangible assets	5,170	12,716,172
Trade and other receivables	4,863,607	4,863,607
Cash and cash equivalents	11,345	11,345
Other current assets	15,613	15,613
Deferred income	(9,609)	(9,609)
Deferred tax	-	(2,054,961)
Trade and other payables	(16,401,281)	(16,401,281)
<b>Net assets</b>	<b>(9,917,854)</b>	<b>877,415</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

*Goodwill*

The goodwill resulted from the acquisition was calculated as follows.

	<u>Amount</u>
Consideration transferred	340,000
Fair value of pre-existing interest in Ecosmart Union SA	236,903
Fair value of identifiable net assets acquired	877,415
Non-controlling interests, based on their proportionate interest in the recognized amounts of the asset and liabilities of Ecosmart Union SA	(300,512)
<b>Goodwill</b>	<b><u>-</u></b>

**Note 10. Equity instruments at fair value through profit or loss**

The movement in equity instruments at fair value through profit or loss for the years ended 31 December 2022 and 31 December 2021 is as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at 1 January</b>	<b>4,341,709</b>	<b>-</b>
Purchase of equity instruments	-	3,414,780
Change in fair value (Note 26)	17,629	882,329
Effect of movements in exchange rates	261,947	44,600
<b>Balance at 31 December</b>	<b><u>4,621,285</u></b>	<b><u>4,341,709</u></b>

*8Wines Czech Republic s.r.o.*

On 13 May 2021, the Company purchased 10.00% ownership interest in 8Wines Czech Republic s.r.o. (8Wines), a Czech-based fast growing online retail platform. The Group neither has any significant influence nor is involved in the management of 8Wines. Therefore, the ownership interest in 8Wines is accounted as equity instruments at fair value through profit or loss and represents as at 31 December 2022 RON 4,621,285 (2021: RON 4,341,709).

As of 31 December 2022, the fair value measurement for equity investment in 8Wines Czech Republic s.r.o. has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4 b). The following table shows the valuation techniques used in measuring fair value as of 31 December 2022, as well as the significant unobservable inputs used. There were no transfers between levels. The valuation of the investment was performed by the Group's management.

Valuation technique	<i>Discounted cash flows:</i> The valuation model considers the present value of the net cash flows expected to be generated by the entity, discounted using a risk-adjusted discount rate.
Significant unobservable inputs	<ul style="list-style-type: none"> <li>• Expected free cash flows for 2023-2027 (RON 11,079,201);</li> <li>• Risk-adjusted discount rate (10.30%);</li> <li>• Terminal growth rate (3.0%).</li> </ul>
Inter-relationship between key unobservable inputs and fair value measurement	<p>The estimated fair value would increase (decrease) by:</p> <ul style="list-style-type: none"> <li>• RON 69,441 / RON (34,179) if the expected cash flows were higher (lower) by 1%; or</li> <li>• RON 995,322 / (RON 720,491) if the risk-adjusted discount rate was lower (higher) by 1pp; or</li> <li>• RON 775,459 / (RON 557,589) if the terminal growth rate was higher (lower) by 1pp.</li> </ul>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***IM Glass Container Company SA group**

On 9 December 2020, Vinaria Purcari SRL has exited IM Glass Container Company SA, a manufacturer of glass bottles, by selling its 31.415% ownership interest for a consideration of EUR 7,819,163 to Vetropack Group, a leading Swiss corporate group in the European glass packaging industry.

Under the Sales Agreement, the former selling shareholders, including Vinaria Purcari SRL, have provided Representations, Warranties, and Indemnities to Vetropack Group, thus, in case of adverse effects it might be liable for paying certain compensations.

Therefore, the amount of EUR 595,070 has been deducted and retained from the initial purchase price as indemnity holdback, which will be reimbursed on the date falling three years after completion of the transactions. The management estimates that no claims for indemnification will appear during this period and that full amount of indemnity holdback will be received. This discounted receivable amounts to RON 2,741,667 as at 31 December 2022 (31 December 2021: RON 2,552,630) and has been included in trade and other receivables, while in the comparative period the amount was presented as non-current receivable in the consolidated statement of financial position.

As at 30 July 2021, Vinaria Purcari SRL collected an additional amount of EUR 978,232 as adjustment to purchase price, which is significantly higher than initial amount estimated by the Group' management. Vinaria Purcari SRL became entitled to this additional contribution mainly due to collection by IM Glass Container Company SA group of some overdue receivables considered impaired at the date of Sale framework agreement. Collection of the overdue receivables was conditioned by melioration of COVID-19 pandemic restrictions and, accordingly, reduction of its effect on business. Since the events which led to collection of receivables occurred during 2021, the Group considers appropriate to account this gain in the 2021 statement of profit or loss (Note 26), rather than an adjustment to prior year results.

Furthermore, Vinaria Purcari SRL, along with all other former shareholders of Glass Container Group may or may not be entitled in 2021-2022 to additional variable performance payments. Due to impact of COVID-19 pandemic and significant increase of natural gas prices (key resource for the production of glass bottles by IM Glass Container Company SA group) on local, regional and global economies, as well as growing uncertainty of future economic recovery, the management considers that the Group could not be entitled to any additional earnout from the sale of GCC. As result, no variable consideration was recognized in these consolidated financial statements.

**Note 11. Loan receivables**

As at 31 December 2022 and 31 December 2021 loan receivables are as follows:

	Currency	Interest rate	Year of maturity	31 December 2022		31 December 2021	
				Non-current portion	Current portion	Non-current portion	Current portion
8Wines s.r.o.	EUR	3.0%	2025	364,379	-	350,438	-
8Wines s.r.o.	EUR	6.0%	2024	2,042,670	458,620	499,051	-
<b>Total loan receivables</b>				<b>2,407,049</b>	<b>458,620</b>	<b>849,489</b>	<b>-</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Note 12. Intangible assets and goodwill**

The movements in intangible assets from 1 January 2021 to 31 December 2022 are the following:

	<u>2022</u>	<u>2021 (restated)</u>
<b>Cost</b>		
Balance at 1 January	14,944,362	1,762,638
Additions		
Purchase	589,659	696,800
Business combination	176,344	12,417,227
Disposals	-	(143,417)
Effect of movement in exchange rates	189,398	211,114
<b>Balance at 31 December</b>	<b><u>15,899,763</u></b>	<b><u>14,944,362</u></b>
<b>Amortization</b>		
Balance at 1 January	746,118	575,625
Amortization for the year	1,160,310	420,820
Increase due to business combinations	27,395	-
Disposals	-	(27,359)
Effect of movement in exchange rates	203,374	(222,968)
<b>Balance at 31 December</b>	<b><u>2,137,197</u></b>	<b><u>746,118</u></b>
<b>Carrying amounts</b>		
<b>At 1 January</b>	<b><u>14,198,244</u></b>	<b><u>1,187,013</u></b>
<b>At 31 December</b>	<b><u>13,762,566</u></b>	<b><u>14,198,244</u></b>

Other intangible assets are represented by trademarks, technological instructions, licenses, software and other. In 2021, after acquisition of new subsidiary Ecosmart Union SA, the Group recognized an intangible asset – Customers Relationships – from business combination. For details, please see Note 9.

The amortization was allocated to General and administrative expenses, Cost of sales, Inventories and Unallocated overheads.

**Note 13. Trade and other receivables**

As at 31 December 2022 and 31 December 2021, trade and other receivables were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Financial receivables</b>		
Gross trade receivables	79,801,870	61,540,000
Allowance for impairment of trade receivables	(3,553,449)	(4,349,115)
<b>Total financial receivables</b>	<b><u>76,248,421</u></b>	<b><u>57,190,885</u></b>
<b>Non-financial receivables</b>		
Other receivables	2,249,742	1,154,357
VAT receivable	4,928,156	4,635,735
Other taxes receivable	7,703	6,045
Excise receivable	37,517	333,681
<b>Total non-financial receivables</b>	<b><u>7,223,118</u></b>	<b><u>6,129,818</u></b>
<b>Total trade and other receivables</b>	<b><u>83,471,539</u></b>	<b><u>63,320,703</u></b>

The carrying amount of trade and other receivables that is subject to a registered debenture to secure bank loans is disclosed in Note 17 to the consolidated financial statements.

The market risk, credit risk, aging of trade receivables at the reporting date and the movement in the allowance for impairment in respect of them during the year are disclosed in Note 29 to the consolidated financial statements.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Note 14. Inventories**

As at 31 December 2022 and 31 December 2021 inventories were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Raw materials</b>		
Distilled alcohol	40,411,951	36,508,269
Wine materials	10,413,455	6,378,783
Other raw materials	371,996	600,311
<b>Total raw materials</b>	<u>51,197,402</u>	<u>43,487,363</u>
<b>Other materials</b>		
Packaging materials	21,944,414	14,242,424
Other materials	6,457,143	5,075,436
Chemicals	2,362,608	2,687,849
<b>Total other materials</b>	<u>30,764,165</u>	<u>22,005,709</u>
<b>Semi-finished production</b>		
Wine in barrels	94,725,431	82,678,184
Divin in barrels	6,272,046	4,023,269
Brandy in barrels	173,983	276,333
<b>Total semi-finished production</b>	<u>101,171,460</u>	<u>86,977,786</u>
<b>Bottled finished goods</b>		
Wine	26,256,808	21,945,866
Divin	865,658	541,198
Other finished goods	41,118	53,461
Brandy	37,183	4,257
<b>Total bottled finished goods</b>	<u>27,200,767</u>	<u>22,544,782</u>
<b>Total inventories</b>	<u>210,333,794</u>	<u>175,015,640</u>

The carrying amount of inventories that is subject to a registered debenture to secure bank loans is disclosed in Note 17 to the consolidated financial statements.

The inventories that are expected to be recovered in more than 12 months after the end of the reporting date have been classified to non-current assets and amount to RON 115,481,601 as at 31 December 2022 (2021: RON 74,895,843). These relate to wine in barrels RON 68,916,618 (2021: RON 46,644,827) and distilled alcohol and divin in barrels RON 34,658,498 (2021: RON 28,251,016).

**Note 15. Cash and cash equivalents**

As at 31 December 2022 and 31 December 2021 cash and cash equivalents were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Bank accounts	19,772,784	31,935,828
Petty cash	150,375	164,286
Savings accounts	3,531,973	-
<b>Total cash and cash equivalents</b>	<u>23,455,132</u>	<u>32,100,114</u>

Cash and cash equivalents consist of cash in hand, current accounts and short-term deposits with banks, which are at the free disposal of the Group.

The carrying amount of cash and cash equivalents that is subject to a registered debenture to secure bank loans is disclosed in Note 17 to the consolidated financial statements. The market risk and credit risk are disclosed in Note 29 to the consolidated financial statements.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Note 16. Equity attributable to owners of the Company**

	<u>2022</u>	<u>2021</u>
(in shares)		
On issue at 1 January	40,117,500	20,000,000
Bonus shares issued	-	20,000,000
Share option exercised	-	117,500
<b>On issue at 31 December</b>	<b><u>40,117,500</u></b>	<b><u>40,117,500</u></b>
<b>Authorized – par value</b>	<b><u>EUR 0.01</u></b>	<b><u>EUR 0.01</u></b>

**Share capital and share premium**

On 28 April 2022, the shareholders unanimously approved the increase of the authorised share capital of the Company from EUR 410,000.00 divided into 41,000,000 shares of nominal value EUR 0.01 each to EUR 430,000.00 divided into 43,000,000 shares of nominal value EUR 0.01 each. During 2022 no shares were issued.

In 2021 the shareholders unanimously voted in favour of approval of the increase of the issued share capital of the Company from EUR 200,000.00 divided into 20,000,000 shares of nominal value EUR 0.01 each to EUR 400,000.00 divided into 40,000,000 shares of nominal value EUR 0.01 each, through issuance of 20,000,000 bonus shares to all shareholders, at nominal value and paid out of the share premium reserve of the Company. The right to receive bonus shares by entitled shareholders could not be opted out.

Also, in 2021, seven employees and managers submitted their exercise letters for purchase of 117,500 shares at an exercise price of RON 10 per share, according to the Management Incentive Programme in place. As result, the Company allotted additional 117,500 shares of nominal value EUR 0.01 each, issued at a premium of EUR 2.01118 for a total subscription amount of RON 1,175,000 (equivalent of EUR 237,488.65).

The details of Management Incentive Programme are disclosed in Note 28 to the consolidated financial statements.

At the reporting date, the issued share capital of the Company is comprised of 40,117,500 ordinary shares with nominal value EUR 0.01 each. All issued shares are fully paid.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

As of 31 December 2022, the share premium amounts to RON 83,184,367 (31 December 2021: RON 83,184,367).

**Shareholders structure**

As of 31 December 2022, the share capital structure and the ownership of registered shares was as follows:

	<u>Number of shares</u>	<u>% of ownership</u>
Amboselt Universal Inc.	8,012,344	19.9722%
Dealbeta Investments	3,172,754	7.9087%
Fiera Capital	3,064,972	7.6400%
Conseq	2,431,920	6.0620%
Trigon Capital	2,037,329	5.0784%
Paval Holding	2,005,875	5.0000%
Others	19,392,306	48.3387%
<b>Total</b>	<b><u>40,117,500</u></b>	<b><u>100%</u></b>

As of 31 December 2021, the share capital structure and the ownership of registered shares was as follows:

	<u>Number of shares</u>	<u>% of ownership</u>
Amboselt Universal Inc.	8,012,344	19.9722%
Dealbeta Investments	3,172,754	7.9087%
Fiera Capital	3,169,069	7.8995%
Conseq	2,127,822	5.3040%
East Capital	2,057,027	5.1275%
Others	21,578,484	53.7881%
<b>Total</b>	<b><u>40,117,500</u></b>	<b><u>100%</u></b>



**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation to the presentation currency.

**Treasury share reserve**

The Company acquired no shares in 2022 (2021: 329,156 shares in amount of RON 4,939,636).

The treasury shares acquired in 2021 and held in 2022 were enough to implement the Company's Management Incentive Program, which provides for equity-settled share-based payments to management (see Note 28).

During 2022 the Company allocated 251,036 shares to its management and employees with a total value of RON 3,815,747 (2021: 174,982 shares with a total value of RON 3,831,179).

**Other reserves**

In 2022 the Company accounted for equity-settled share-based payments in amount of (RON 340,436) (2021: RON 6,391,462) in connection with the Management Incentive Program (see Note 28) and offset the amount of RON 3,815,747 (2021: RON 3,831,179) with treasury share reserve for shares allocated to employees.

**Dividends**

During 2022 the Company declared and paid dividends in amount of RON 0.51 per share (2021: RON 0.65).

**Earnings per share**

The calculation of earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

	<u>2022</u>	<u>2021 (restated)</u>
<b>Profit for the year, attributable to owners of the Company</b>	<b>52,944,030</b>	<b>47,014,169</b>
Issued ordinary shares at 1 January	40,117,500	20,000,000
Effect of bonus shares issued	-	20,000,000
Effect of treasury shares held	(151,803)	(288,669)
Effect of share option exercised	-	5,795
<b>Weighted-average number of ordinary shares outstanding at 31 December</b>	<b><u>39,965,697</u></b>	<b><u>39,717,126</u></b>
<b>Earnings per share – basic and diluted</b>	<b><u>1.32</u></b>	<b><u>1.18</u></b>

The Group has not issued any potentially dilutive instruments.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Note 17. Borrowings and lease liabilities**

This note provides information about the contractual terms of the Group's interest-bearing borrowings and lease liabilities, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 29 to the consolidated financial statements.

As at 31 December 2022 and 31 December 2021, borrowings and lease liabilities were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b><i>Non-current liabilities</i></b>		
Secured bank loans	39,527,116	19,081,919
Lease liabilities	4,659,801	5,769,657
<b>Total non-current portion</b>	<b><u>44,186,917</u></b>	<b><u>24,851,576</u></b>
<b><i>Current liabilities</i></b>		
Current portion of secured bank loans	87,044,011	70,319,375
Current portion of unsecured loan	-	1,316,195
Current portion of lease liabilities	1,412,355	1,497,517
<b>Total current portion</b>	<b><u>88,456,366</u></b>	<b><u>73,133,087</u></b>
<b>Total borrowings and lease liabilities</b>	<b><u>132,643,283</u></b>	<b><u>97,984,663</u></b>

The movements of borrowings and lease liabilities for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at 1 January</b>	<b>97,984,663</b>	<b>96,582,372</b>
Increase due to business combinations	-	1,287,548
Proceeds from borrowings	118,052,150	65,756,512
Repayment of borrowings and lease liabilities	(88,466,551)	(67,448,002)
Interest expense (Note 26)	4,554,906	3,932,834
Interest paid	(4,844,719)	(3,881,020)
New leases	279,308	746,216
Effect of movement in exchange rates	5,083,526	1,008,203
<b>Balance at 31 December</b>	<b><u>132,643,283</u></b>	<b><u>97,984,663</u></b>

**Security**

As at 31 December 2022 and 31 December 2021 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Property, plant and equipment	50,946,879	56,767,291
Trade and other receivables	65,163,903	33,736,362
Inventories	37,637,647	57,038,907
Cash and cash equivalents	306,757	1,658,047
<b>Total</b>	<b><u>154,055,186</u></b>	<b><u>149,200,607</u></b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*
**Terms and debt repayment schedule**

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2022		31 December 2021	
					Non-current	Current	Non-current	Current
Secured bank loan	BC MAIB SA (1)	EUR	4.00%	2024	-	5,423,057	-	-
Secured bank loan	BC MAIB SA (2)	MDL	8.00%	2024	-	1,209,579	-	-
Secured bank loan	BC MAIB SA (3)	EUR	3.40%	2022	-	17,355,101	-	4,553,234
Secured bank loan	BC MAIB SA (4)	EUR	3.40%	2024	-	11,092,617	-	738,910
Secured bank loan	BC MAIB SA (5)	EUR	3.50%	2024	-	17,336,324	-	12,867,836
Secured bank loan	BC MAIB SA (6)	MDL	8.00%	2024	-	-	-	7,389,097
Secured bank loan	BC MAIB SA (7)	MDL	8.00%	2023	-	967,663	-	2,709,335
Secured bank loan	BC MAIB SA (8)	EUR	3.40%	2022	-	-	-	1,489,699
Secured bank loan	BC MAIB SA (9)	MDL	8.00%	2022	-	-	-	1,609,345
Secured bank loan	BC MAIB SA (10)	EUR	3.40%	2025	-	8,952,481	-	10,739,694
Secured bank loan	BC MAIB SA (11)	MDL	7.50%	2025	-	-	-	270,934
Secured bank loan	BC MAIB SA (12)	EUR	3.40%	2022	-	-	-	2,482,503
Secured bank loan	BC MAIB SA (13)	EUR	3.40%	2023	-	-	-	10,952,508
Secured bank loan	BC MAIB SA (14)	EUR	3.40%	2025	8,542,774	1,317,330	-	-
Secured bank loan	BC MAIB SA (15)	EUR	3.40%	2024	-	1,023,923	-	-
Secured bank loan	BC VICTORIABANK SA	EUR	3.40%	2023	25,578,134	-	14,847,503	-
Secured bank loan	OTP Bank SA (1)	EUR	4.17%	2024	1,640,025	1,598,414	-	-
Secured bank loan	OTP Bank SA (2)	EUR	4.17%	2024	1,313,503	1,113,262	-	-
Secured bank loan	OTP Bank SA (3)	EUR	4.17%	2024	1,053,754	1,580,204	2,126,990	1,588,578
Secured bank loan	OTP Bank SA (4)	USD	3.95%	2022	-	-	-	1,029,253
Secured bank loan	OTP Bank SA (5)	USD	4.25%	2025	371,630	245,839	661,637	155,437
Secured bank loan	OTP Bank SA (6)	USD	4.25%	2026	1,027,303	435,737	1,445,789	359,382
Secured bank loan	UNICREDIT BANK SA	USD	EURIBOR 1M+1.50%	2023	-	17,285,773	-	11,383,630
Unsecured loan	Chateau Vartely SRL	EUR	-	2022	-	-	-	1,316,195
Lease liabilities		RON/ MDL/ EUR	3.90%-11.25%	2022-2047	4,659,794	1,519,062	5,769,657	1,497,517
<b>Total borrowings and lease liabilities</b>					<b>44,186,917</b>	<b>88,456,366</b>	<b>24,851,576</b>	<b>73,133,087</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

**Loan covenants**

On 31 December 2022 and 31 December 2021, the Group complied with the loan covenants stipulated in loan contracts, except for Debt Service ratio in 2022 and Debt to Equity ratio in 2021, both calculated for its subsidiary Vinaria Bostavan SRL for the loans contracted from BC MAIB SA. If covenants are breached, the credit institutions may require the acceleration of repayment of the outstanding loans. Therefore, the Group classified the related long-term liabilities of RON 42,916,849 as current liabilities as at 31 December 2022 in these financial statements (2021: RON 32,391,472).

**Lease liabilities**

The Group leases assets like land, buildings and vehicles.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is made annually until 30 November. The lease term approximates the remaining useful life of plantations of grape vines of Vinaria Bostavan SRL and Vinaria Purcari SRL. Before 1 January 2019, these leases were classified as operating leases under IAS 17.

The lease of buildings relates to offices and warehouses, and the period of lease is around 5 years (taking into account the extension options exercisable by the Group). Before 1 January 2019, these leases were classified as operating leases under IAS 17.

The Group leases vehicles under a number of leases, which were classified as finance leases under IAS 17 before 1 January 2019.

Information about leases for which the Group is a lessee is presented below.

*(i) Right of use assets*

	<b>Land</b>	<b>Buildings and constructions</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	<b>3,366,498</b>	<b>2,844,023</b>	<b>884,697</b>	<b>7,095,218</b>
Additions to right-of-use assets	8,476	285,612	-	294,088
Depreciation charge for the year	(127,889)	(991,068)	(315,665)	(1,434,622)
Derecognition of right-of-use assets	-	(282,842)	-	(282,842)
Effect of movements in exchange rates	(66,100)	79,069	-	12,969
<b>Balance at 31 December 2022</b>	<b>3,180,985</b>	<b>1,934,794</b>	<b>569,032</b>	<b>5,684,811</b>
<b>Balance at 1 January 2021</b>	<b>3,194,622</b>	<b>2,864,706</b>	<b>858,195</b>	<b>6,917,523</b>
Additions to right-of-use assets	80,064	666,152	-	746,216
Depreciation charge for the year	(129,231)	(836,227)	(315,665)	(1,281,123)
Derecognition of right-of-use assets	-	-	-	-
Effect of movements in exchange rates	221,043	149,392	342,167	712,602
<b>Balance at 31 December 2021</b>	<b>3,366,498</b>	<b>2,844,023</b>	<b>884,697</b>	<b>7,095,218</b>

Derecognition of the right-of-use assets during 2022 is as a result of termination of office rent agreement.

*(ii) Amounts recognized in profit or loss*

Total interest expense on lease liabilities amounted to RON 519,707 for the year ended 31 December 2022 (2021: RON 542,739).

*(iii) Amounts recognized in statement of cash flows*

Total cash outflow for leases amounted to RON 1,715,238 for the year ended 31 December 2022 (2021: RON 1,413,898).

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

**Note 18. Deferred income**

The movement in deferred income for 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at 1 January</b>	<b>9,183,161</b>	<b>4,537,583</b>
Grants received	692,706	4,684,381
Increase due to business combinations	5,731,950	825,161
Release of deferred income (Note 24)	(1,917,100)	(1,500,311)
Effect of movements in exchange rates	785,048	636,347
<b>Balance at 31 December</b>	<b><u>14,475,765</u></b>	<b><u>9,183,161</u></b>

The Group's deferred income mainly represents government grants received for investments in property, plant and equipment. The Group is restricted to sell the assets for which a grant has been received for a period of five years.

**Note 19. Trade and other payables**

As at 31 December 2022 and 31 December 2021 trade and other payables were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b><i>Financial payables</i></b>		
Trade accounts payable	75,673,496	67,246,874
Trade payables due to related parties (Note 31)	2,636,599	2,203,759
<b>Total financial payables</b>	<b><u>78,310,095</u></b>	<b><u>69,450,633</u></b>
<b><i>Non-financial payables</i></b>		
Other tax liabilities	3,605,105	3,822,723
Advances received	410,477	509,007
Dividends payable	2,179,810	1,563,934
<b>Total non-financial payables</b>	<b><u>6,195,392</u></b>	<b><u>5,895,664</u></b>
<b>Total trade and other payables</b>	<b><u>84,505,487</u></b>	<b><u>75,346,297</u></b>

For more information about the Group's exposure to foreign currency and liquidity risk, see Note 29 to the consolidated financial statements.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

**Note 20. Revenue**

Revenues for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Sales of finished goods		
Wine	239,922,880	204,001,782
Divin	32,025,611	26,459,553
Brandy	739,287	538,114
Total sales of finished goods	<u>272,687,778</u>	<u>230,999,449</u>
Sales of other goods		
Merchandise	3,404,179	3,002,802
Other	704,724	535,469
Wine materials	522,787	517,400
Total sales of other goods	<u>4,631,690</u>	<u>4,055,671</u>
Services		
Hotel and restaurant services	3,618,931	2,152,266
Agricultural services	117,550	103,356
Waste recycling management services	21,410,429	10,822,973
Total services	<u>25,146,910</u>	<u>13,078,595</u>
<b>Total revenue</b>	<u><b>302,466,378</b></u>	<u><b>248,133,715</b></u>

Contract liabilities represent advances received from customers (which are recognized in revenue in the following year) in amount of RON 410,477 at 31 December 2022 (2021: RON 509,007) (Note 19).

*Segment analysis*

By 2020 the management monitored the performance of the Group as a single segment (production, bottling and sales of wines, divin and brandy), and through the acquisition of the subsidiary Ecosmart Union SA in 2021 a second segment related to waste recycling management services appeared (which for the year ended 31 December 2021 has not been yet a significant one).

A reportable segment is a component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generate revenues other than risks and income of those components that are peculiar to other business segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

Sales of finished goods by brand and geographic region for the year ended 31 December 2022 were as follows:

	<b>Bostavan wine</b>	<b>Purcari wine</b>	<b>Domeniile Cuza wine</b>	<b>Crama Ceptura wine</b>	<b>Angel's Estate Wine</b>	<b>Bardar divin and brandy</b>	<b>Total</b>
Romania	2,184,051	100,039,115	661,390	36,020,787	-	4,709,490	<b>143,614,833</b>
Republic of Moldova	7,309,116	26,499,543	-	-	-	23,193,569	<b>57,002,228</b>
Bulgaria	-	-	-	-	3,039,782	-	<b>3,039,782</b>
Poland	18,634,539	668,973	-	22,254	-	465,449	<b>19,791,215</b>
Czech & Slovakia	7,839,629	360,804	-	732	-	-	<b>8,201,165</b>
Asia	2,603,067	4,976,788	-	628,630	-	733,740	<b>8,942,225</b>
Belarus	-	-	-	-	-	1,440,145	<b>1,440,145</b>
Baltic countries	6,282,891	226,752	58,752	155,337	-	333,447	<b>7,057,179</b>
Ukraine	1,754,304	3,367,818	-	27,493	-	-	<b>5,149,615</b>
Turkey	3,119,218	975,234	-	-	-	-	<b>4,094,452</b>
Other	4,840,946	6,641,274	59,780	911,104	12,776	1,889,059	<b>14,354,939</b>
<b>Total</b>	<b>54,567,761</b>	<b>143,756,301</b>	<b>779,922</b>	<b>37,766,337</b>	<b>3,052,558</b>	<b>32,764,899</b>	<b>272,687,778</b>

Sales of finished goods by brand and geographic region for the year ended 31 December 2021 were as follows:

	<b>Bostavan wine</b>	<b>Purcari wine</b>	<b>Domeniile Cuza wine</b>	<b>Crama Ceptura wine</b>	<b>Angel's Estate wine</b>	<b>Bardar divin and brandy</b>	<b>Total</b>
Romania	2,788,545	80,878,882	90,790	33,069,333	-	2,840,847	<b>119,668,397</b>
Republic of Moldova	5,595,128	20,573,339	-	-	-	18,592,884	<b>44,761,351</b>
Bulgaria	-	-	-	-	-	-	<b>-</b>
Poland	19,590,347	544,137	-	49,813	-	37,958	<b>20,222,255</b>
Czech & Slovakia	7,990,016	189,401	-	532,919	-	-	<b>8,712,336</b>
Asia	2,612,348	2,531,199	-	547,069	-	604,522	<b>6,295,138</b>
Belarus	84,944	70,976	-	-	-	3,588,859	<b>3,744,779</b>
Baltic countries	7,034,474	490,793	-	87,716	-	212,840	<b>7,825,823</b>
Ukraine	4,079,840	4,716,572	-	-	-	-	<b>8,796,412</b>
Turkey	-	-	-	-	-	-	<b>-</b>
Other	2,876,446	5,233,278	4,937	1,738,540	-	1,119,757	<b>10,972,958</b>
<b>Total</b>	<b>52,652,088</b>	<b>115,228,577</b>	<b>95,727</b>	<b>36,025,390</b>	<b>-</b>	<b>26,997,667</b>	<b>230,999,449</b>

The waste recycling management services are provided by the Group's subsidiary Ecosmart Union SA and the entire revenue is realised in Romania.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

**Note 21. Cost of sales**

Cost of sales for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Sales of finished goods		
Wine	134,247,447	106,295,807
Divin	12,409,105	10,127,820
Brandy	657,018	326,346
Total sales of finished goods	<u>147,313,570</u>	<u>116,749,973</u>
Sales of other goods		
Merchandise	2,893,551	2,552,382
Other	648,346	485,080
Wine materials	462,098	455,312
Total sales of other goods	<u>4,003,995</u>	<u>3,492,774</u>
Services		
Hotel and restaurant services	3,437,985	2,044,653
Agricultural services	104,893	94,055
Waste recycling management services	16,201,370	9,909,765
Total services	<u>19,744,248</u>	<u>12,048,473</u>
<b>Total cost of sales</b>	<u><b>171,061,813</b></u>	<u><b>132,291,220</b></u>

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Consumption of inventories	134,230,043	107,824,205
Waste recycling services	16,201,370	9,909,765
Employee benefits (Note 28)	11,532,872	7,780,680
Depreciation of property, plant and equipment (Note 8)	7,054,111	5,640,554
Other	2,043,417	1,136,016
<b>Total cost of sales</b>	<u><b>171,061,813</b></u>	<u><b>132,291,220</b></u>

Other expenses presented above include amortization of intangible assets and services rendered by third parties.

**Note 22. Marketing and sales expenses**

Marketing and sales expenses for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Marketing and sales	23,039,856	15,014,010
Transportation expenses	4,807,738	4,217,194
Employee benefits (Note 28)	9,563,247	10,630,242
Certification of production	721,645	618,090
Other expenses	643,085	434,939
<b>Total marketing and sales expenses</b>	<u><b>38,775,571</b></u>	<u><b>30,914,475</b></u>



**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

**Note 23. General and administrative expenses**

General and administrative expenses for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u> <u>(restated)</u>
Employee benefits (Note 28)	15,517,153	15,706,737
Taxes and fees	1,958,293	1,715,803
Depreciation (Note 8)	4,133,625	2,665,714
Repairs and maintenance	479,723	414,388
Operating lease	200,377	356,546
Travel	658,805	154,130
Professional fees	4,887,658	3,905,093
Bank charges	390,482	323,654
Communication	297,584	278,493
Insurance	296,876	226,763
Fuel	329,080	207,254
Materials	138,292	273,347
Penalties	433,752	188,945
Other	646,787	1,088,751
<b>Total general and administrative expenses</b>	<b><u>30,368,487</u></b>	<b><u>27,505,618</u></b>

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements of the Company and its subsidiaries in amount of RON 816,691 (2021: RON 647,205).

**Note 24. Other operating income**

Other operating income for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Release of deferred income (Note 18)	1,917,100	1,500,311
Gains on write-off of trade and other payables	34,184	183,736
Net gain/(loss) from sale of other materials	7,422	88,612
Other	357,232	375,078
<b>Total other operating income</b>	<b><u>2,315,938</u></b>	<b><u>2,147,737</u></b>

**Note 25. Other operating expenses**

Other operating expenses for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Impairment of property, plant and equipment, net (Note 8)	(80,141)	(80,142)
Unallocated overheads	321,603	317,359
Adjustment to fair value of harvest of grapes from own grape vines (a)	(1,654,220)	(5,185,767)
Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b)	849,093	642,070
Net (gain)/loss from disposal of property, plant and equipment and intangible assets	309,081	(710,713)
Other	-	-
<b>Total other operating expenses</b>	<b><u>(254,584)</u></b>	<b><u>(5,017,193)</u></b>

**Provisions**

The Group has set-up provisions for tax and other risks for which management has assessed as probable an outflow of resources.

The movement in provisions for the years ended 31 December 2022 and 31 December 2021 is as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at 1 January</b>	<b>5,960,310</b>	<b>7,515,280</b>
Provisions made during the year	-	-
Reverse in provisions netted against gain from disposal of equity instruments	-	(1,266,843)
Provisions used during the year	-	(1,055,004)
Effect of movements in exchange rates	359,880	766,877
<b>Balance at 31 December</b>	<b><u>6,320,190</u></b>	<b><u>5,960,310</u></b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Adjustment to fair value of harvest of grapes**

The movement of biological assets (grapes on vines) for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u>
<b>Balance at 1 January</b>	-	-
Costs for cultivation of grapes	24,700,532	19,331,474
Fair value adjustment of harvest of grapes	805,127	4,543,697
Harvested grapes transferred to inventories	<u>(25,505,659)</u>	<u>(23,875,171)</u>
<b>Balance at 31 December</b>	<u>-</u>	<u>-</u>

Harvested grapes are transferred to inventories at their fair value, equal to the market price at the date of harvest, less costs to sell at the date of harvest. Market prices are determined by making reference to the weighted average of the grape prices for each region for the current vintage and vary with the grade quality of grapes produced. Costs to sell refer to costs that are necessary for a sale to occur but that would not otherwise arise, such as commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. In the regions where the grapes are cultivated, a sale of grapes would take place without the above-mentioned costs being incurred, therefore for the estimation of fair value of grapes the costs to sell are considered nil.

**a) Harvest of grapes from own grape vines**

The areas of plantations of own grape vines (hectares of plantations) and quantities of harvested grapes were as follows:

	<u>2022</u>	<u>2021</u>
Area of plantations of mature vines, hectares	1,312	1,206
Area of plantations of immature vines, hectares	34	34
<b>Total area of plantations of vines, hectares</b>	<u>1,346</u>	<u>1,240</u>
<b>Quantity of harvested grapes, tonnes</b>	<u>13,733</u>	<u>9,973</u>

The Group is subject to laws and regulations in the country where the vines are cultivated. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

The Group's vine plantations are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections of the health of vines and industry pest and disease surveys.

The subsidiaries of the Group, Vinaria Bostavan SRL and Vinaria Purcari SRL have their own grape vines, which are located in the Republic of Moldova, while Vinoteca Gherasim Constantinescu SRL and Angel's Estate SA have their own vineyards located in Romania and respectively in Bulgaria.

In October 2022 the Group acquired 76% shareholding in a Bulgarian subsidiary, Angel's Estate SA, which major activity is bottling and sale of wine. The subsidiary owns its grape vines, with an area of plantations of 102 hectares, which are in Bulgaria. For details, please see Note 9.

**b) Joint operations and operating lease of grape vines**

The areas of plantations of vines under joint operations and operating lease (hectares of plantations) and quantities of harvested grapes were as follows:

	<u>2022</u>	<u>2021</u>
Area of plantations of vines under joint operation arrangement, hectares	59	59
Area of plantations of vines under operating lease, hectares	35	37
<b>Total area, hectares</b>	<u>94</u>	<u>96</u>
Quantity of harvested grapes under joint operation arrangement, tonnes	381	511
Quantity of harvested grapes under operating lease, tonnes	223	441
<b>Total quantity, tonnes</b>	<u>604</u>	<u>952</u>

## **Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

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### *Joint operations*

Starting 2013, Crama Ceptura SRL entered into a joint arrangement with Vie Vin Podgoria Valea Calugareasca SRL (“Vie Vin”). The purpose of the arrangement is to produce and/or to trade grapes and wine. In addition, the partners are jointly involved in viticulture and provide each other with management, legal, marketing and trade support. The joint operation takes place in Romania.

Crama Ceptura SRL and Vie Vin contractually agreed that the operation is administrated by a governing council, formed by two members. Each party appointed one representative to this council. The activities of the operation require the unanimous consent of the parties that control the arrangement collectively. As joint control exists explicitly, because no decisions can be made about the relevant activities of the arrangement without both Crama Ceptura SRL and Vie Vin agreeing, the arrangement is a joint arrangement. The Group has concluded that the arrangement is a joint operation. In doing so, the Group considered the terms and conditions of the partnership agreement and the purpose and design of the joint arrangement. The arrangement was not structured as a separate vehicle from the parties.

Under the contractual arrangement between Crama Ceptura SRL and Vie Vin, each retain the rights and legal title to their respective assets and the obligation to settle their respective liabilities. However, they agree to jointly cultivate the vines, which are rented by Vie Vin from individuals under operating lease, and therefore Crama Ceptura SRL and Vie Vin recognize 87% and 13% (2021: 87% and 13%) respectively of all revenues and expenses relating to the partnership.

The contractual obligation of Vie Vin is to contribute to the joint arrangement with the following:

- right of use for vines it rents from individuals under operating lease;
- right of use for equipment it owns at the date of agreement; and
- labour force.

The contractual obligation of Crama Ceptura SRL is to contribute to the joint arrangement with:

- working capital; and
- know-how, technical management and joint arrangement management.

The outputs from joint operations are distributed in kind (grapes, wine) or in cash. Crama Ceptura SRL is entitled only to distributions in kind. The joint operators allocate the outputs annually, at the end of the harvest period, using the proportion from the harvest of 87% for Crama Ceptura SRL and 13% for Vie Vin (2021: 87% and 13%).

On 02 November 2022 the joint agreement between Crama Ceptura SRL and Vie Vin was prolonged till 31 October 2023, on similar conditions, but the area of plantations under joint operation was reduced from 59 hectares to 17 hectares.

### *Operating lease of grape vines*

The subsidiary Crama Ceptura SRL entered into several operational lease agreements for the lease of grape vines located in Romania. According to the agreements, Crama Ceptura SRL is required to maintain the grape vines and it is entitled to harvest. The Group carried out an analysis and concluded that these leases of grape vines should be accounted as operating lease.

The lease payments are made to the lessors in nature (grapes, wine), in proportion from 14% to 18% (depending on the agreement) from the harvest on leased grape vines.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

**Note 26. Net finance income**

Net finance costs for the years ended 31 December 2022 and 31 December 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Net gain from disposal of equity instruments (Note 10)	-	(5,611,621)
Net gain on equity instruments at FVTPL (Note 11)	(17,629)	(882,329)
Interest income	(581,388)	(192,964)
Other	-	(360,403)
<b>Finance income</b>	<b><u>599,017</u></b>	<b><u>7,047,317</u></b>
Interest expense	4,554,906	3,932,834
Net foreign exchange loss	6,109,026	3,026,853
Other	1,185	-
<b>Finance costs</b>	<b><u>(10,665,117)</u></b>	<b><u>(6,959,687)</u></b>
<b>Net finance income</b>	<b><u>(10,066,100)</u></b>	<b><u>87,630</u></b>

**Note 27. Income tax**

The corporate income tax rate in Cyprus was 12.5% for the years 2022 and 2021, 12% in the Republic of Moldova, 16% in Romania and 10% in Bulgaria. Deferred tax has been determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Tax recognized in profit or loss for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<u>2022</u>	<u>2021</u> <u>(restated)</u>
<b>Current tax expense</b>		
Current tax	9,848,320	10,000,006
<b>Total current tax expense</b>	<b><u>9,848,320</u></b>	<b><u>10,000,006</u></b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	322,577	415,577
<b>Total deferred tax expense / (benefit)</b>	<b><u>322,577</u></b>	<b><u>415,577</u></b>
<b>Income tax expense</b>	<b><u>10,170,897</u></b>	<b><u>10,415,583</u></b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

The reconciliation of effective tax rate for the years ended 31 December 2022 and 31 December 2021 was as follows:

	2022		2021 (restated)	
<b>Profit before tax</b>		<b>67,384,448</b>		<b>61,566,431</b>
Tax using the Company's domestic tax rate	12.50%	8,423,056	12.50%	7,695,804
Effect of different tax rates in foreign jurisdictions	2.34%	1,440,031	1.14%	699,971
Tax exempt income	(9.34%)	(5,753,221)	(0.15%)	(92,461)
Non-deductible expenses	5.16%	3,176,434	1.98%	1,220,268
Investment incentives	3.69%	2,272,616	(0.80%)	(494,694)
Current year losses for which no deferred tax assets were recognized	0.99%	611,981	2.25%	1,386,695
<b>Income tax expense</b>	<b>16.52%</b>	<b>10,170,897</b>	<b>16.92%</b>	<b>10,415,583</b>

Deferred tax assets and liabilities as at 31 December 2022 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	366,207	(7,226,259)	(6,860,052)
Intangible assets	175,129	(2,100,607)	(1,925,478)
Inventories	1,770,456	(172,405)	1,598,051
Other current assets	4,136	-	4,136
Trade and other receivables	429,825	4,562	434,387
Borrowings and lease liabilities	717,343	(20,066)	697,277
Deferred income	-	(318,914)	(318,914)
Retained earnings	-	(2,933,763)	(2,933,763)
<b>Deferred tax assets (liabilities) before set-off</b>	<b>3,463,096</b>	<b>(12,767,452)</b>	<b>(9,304,356)</b>
Set-off of tax	(3,463,096)	3,463,096	-
<b>Deferred tax liabilities</b>	<b>-</b>	<b>(9,304,356)</b>	<b>(9,304,356)</b>

Deferred tax assets and liabilities as at 31 December 2021 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	346,227	(6,973,027)	(6,626,800)
Intangible assets	39,545	(2,101,819)	(2,062,274)
Inventories	1,185,778	(129,494)	1,056,284
Other current assets	6,593	-	6,593
Trade and other receivables	496,562	5,365	501,927
Borrowings and lease liabilities	893,508	(1,660,337)	(766,829)
Deferred income	-	(350,286)	(350,286)
Retained earnings	-	(1,173,196)	(1,173,196)
<b>Deferred tax assets (liabilities) before set-off</b>	<b>2,968,213</b>	<b>(12,382,794)</b>	<b>(9,414,581)</b>
Set-off of tax	(2,968,213)	2,968,213	-
<b>Deferred tax liabilities (restated)</b>	<b>-</b>	<b>(9,414,581)</b>	<b>(9,414,581)</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

The movement in deferred tax balances during the year ended 31 December 2022 was as follows:

	<u>31 December 2021 (restated)</u>	<u>Recognized in profit or loss</u>	<u>Effect of movements in exchange rates</u>	<u>31 December 2022</u>
Property, plant and equipment	(6,829,790)	(337,447)	107,875	(7,059,362)
Intangible assets	(2,063,274)	135,584	1,152	(1,926,538)
Inventories	1,261,820	149,508	389,526	1,800,854
Other current assets	6,593	(2,399)	(58)	4,136
Trade and other receivables	501,927	(105,816)	38,276	434,387
Equity-accounted investees	(1,056)	-	(64)	(1,120)
Borrowings and lease liabilities	892,934	(186,905)	(9,273)	696,756
Deferred income	(350,286)	25,765	5,607	(318,914)
Retained earnings	(2,833,451)	(67)	(100,246)	(2,933,764)
<b>Total</b>	<b><u>(9,414,583)</u></b>	<b><u>(321,777)</u></b>	<b><u>432,795</u></b>	<b><u>(9,303,565)</u></b>

The movement in deferred tax balances during the year ended 31 December 2021 was as follows:

	<u>31 December 2020</u>	<u>Recognized in profit or loss (restated)</u>	<u>Effect of movements in exchange rates (restated)</u>	<u>31 December 2021 (restated)</u>
Property, plant and equipment	(6,098,965)	(299,990)	(430,835)	(6,829,790)
Intangible assets	(64,567)	55,380	(2,054,087)	(2,063,274)
Inventories	1,408,953	(220,049)	72,925	1,261,829
Other current assets	7,793	(1,661)	461	6,593
Trade and other receivables	198,730	281,210	21,978	501,918
Equity-accounted investees	(72,976)	72,017	(97)	(1,056)
Borrowings and lease liabilities	829,820	19,034	44,080	892,934
Deferred income	(351,583)	24,444	(23,147)	(350,286)
Trade and other payables	341,134	(345,962)	4,828	-
Retained earnings	(2,679,722)	-	(153,729)	(2,833,451)
<b>Total</b>	<b><u>(6,481,383)</u></b>	<b><u>(415,577)</u></b>	<b><u>(2,517,623)</u></b>	<b><u>(9,414,583)</u></b>

**Unrecognized deferred tax assets**

Deferred tax assets as at 31 December 2022 and 31 December 2021 have not been recognized in respect of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Tax losses	5,065,071	4,210,710

The tax losses as at 31 December 2022 and 31 December 2021 will expire as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Up to 1 year	86,282	-
1 to 2 years	737,207	81,369
2 to 3 years	965,471	695,230
3 to 4 years	1,131,241	910,495
4 to 5 years	1,544,749	1,066,827
More than 5 years	600,121	1,456,789
	<b><u>5,065,071</u></b>	<b><u>4,210,710</u></b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Management has determined that the recoverability of cumulative tax losses of the Parent (Purcari Wineries Public Company Limited), is uncertain due to specific activity as a holding company, which lacks taxable income and accounts for significant deductible expenses.

**Note 28. Employee benefits**

As at 31 December 2022 and 31 December 2021, employee benefit payables were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Payables to employees	3,618,379	2,635,620
Accruals for unused vacation	2,102,542	2,036,279
<b>Total employee benefit payables</b>	<b><u>5,720,921</u></b>	<b><u>4,671,899</u></b>

During the year ended 31 December 2022 the average number of staff was 814 persons (2021: 707). Employee benefit expenses include base salaries, mandatory medical contribution, mandatory social contribution, bonuses for performance and equity-settled share-based payments.

The employee benefit expenses are included in the following captions:

	<u>2022</u>	<u>2021</u>
General and administrative expenses (Note 23)	15,517,153	15,706,737
Cost of sales (Note 21)	11,532,872	7,780,680
Inventory	9,035,907	7,494,622
Marketing and sales expenses (Note 22)	9,563,247	10,630,242
<b>Total employee benefit expenses</b>	<b><u>45,649,179</u></b>	<b><u>41,612,281</u></b>

The employee benefit expenses comprise the following categories:

	<u>2022</u>	<u>2021</u>
Base salaries and bonuses for performance	40,223,621	32,645,179
Equity-settled share-based payments	(340,436)	6,391,462
Mandatory social and medical contributions	5,765,994	5,076,949
<b>Total employee benefit expenses</b>	<b><u>45,649,179</u></b>	<b><u>44,113,590</u></b>

On December 31, 2022, the share price fell to 8.49 lei (2021: 14.90 lei), which is significantly below the exercise price of the share options of 10 lei. This involved a reversal of share-settled share-based payments, as the value of the share options became zero. If the share price had remained unchanged at the end of the year, the impact of equity-settled share-based payments would have increased expenses by 430,378 lei.

The below table provides details on recognition of employee benefit expenses related to Management incentive program:

	<u>2022</u>	<u>2021</u>
Share awards	3,014,437	3,194,672
Stock options	(3,354,871)	3,196,790
<b>Total equity-settled share-based payments</b>	<b><u>(340,436)</u></b>	<b><u>6,391,462</u></b>

## **Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

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Increase of the share price over the exercise (strike) price will increase the employee benefits expenses. Further is described the impact on expenses from change of market price of the share:

- each increase with RON 1 over the market price of RON 10 will increase the expenses with RON 772,500 for stock options with RON 10 strike price;
- each increase with RON 1 over the market price of RON 15 will increase the expenses with RON 1,090,800 for stock options with RON 15 strike price;
- each increase with RON 1 over the market price of RON 20 will increase the expenses with RON 1,291,600 for stock options with RON 20 strike price.

### ***Management incentive program***

On 29 April 2020, the Company's shareholders approved the revised Special Resolution, dated initially on 14 June 2018 and revised later on 25 April 2019, stating the provision of a Management Stock Option Plan, as part of a Management Incentive Program.

The Program mainly targets members of the Group's senior management team (except the CEO) and is intended to further align the interests of such Beneficiaries with those of the Company's shareholders.

The Program initially was comprising the following:

- a) award of up to 500,000 shares in the Company to the Beneficiaries, free of charge, subject to relevant performance indicators to be determined by the Board of Directors; and
- b) award of stock options to the Beneficiaries (the Options or PSOs), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
  - up to 500,000 Options at an Exercise Price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
  - up to 625,000 Options at an Exercise Price of 30 RON; and
  - up to 750,000 Options at an Exercise Price of 40 RON.

On 29.03.2021 the shareholders unanimously voted in favor of approval of increase in the issued share capital of the Company from EUR 200,000.00 to EUR 400,000.00 through issuance of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on the record date. The free allocation of shares under the share capital increase had an impact in that the number of shares outstanding following such corporate event has doubled, while the market price of the shares was adjusted downward to account for the effects of the event.

As result, at the same shareholders meeting of 29.03.2021, the Board of Directors was authorized to adjust the details of the employee/management incentive plans implemented by the Company and currently active, as well as the contractual arrangements with the beneficiaries of the plans, to account for the effects of the share capital increase proposed as described above.

### ***Share award***

On 14 May 2020 the Company's Board of Directors approved the Long-Term Share Incentive Plan (LTSIP 1) with a total of 409,000 shares to be vested to employees during 2020-2022. On 1<sup>st</sup> June 2020 a total of 398,004 shares were offered to eligible participants.

On 22 December 2020 the Company's Board of Directors approved the second Long-Term Share Incentive Plan (LTSIP 2) with a total of 101,996 shares to be vested to employees during 2021-2024. As at 31 December 2020 no shares were offered to participants under LTSIP 2. Nevertheless, the Company recognized equity-settled share-based payments expenses under this plan as all details were known and reliable measurement of such expenses could be done. On 30 March 2021 all the shares under LTSIP 2 were offered to participants.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the Long-Term Share Incentive Plans by increasing the maximum number of shares awarded, as follows:

- (a) the maximum number of shares under the LTSIP no. 1 was increased from 409,000 shares to 502,998 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only;



**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

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(b) the maximum number of shares under the LTSIP no. 2 was increased from 101,996 shares to 193,668 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only.

In 2022 the Company made no redemption of own shares (2021: 329,156 shares). The treasury shares acquired in 2021 were enough to implement the Company's Management Incentive Program, which provides for equity-settled share-based payments to management. These shares were recorded under "Treasury Shares Reserves".

At 15 June 2022 the Company allocated 251,036 shares to its employees with a total value of RON 3,815,747 (2021: 174,982 shares with a total value of RON 3,831,179) by offset of "Treasury Shares Reserves" with "Other reserves".

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise**Stock options*

Based on the authorization received from shareholders in the Annual Shareholders Meetings of 14.06.2018, 25.04.2019 and 29.04.2020, the Board of Directors approved on 25.03.2021 the Long-Term Stock Option Plan (LTSOP) for period 2021-2030, by which the Company may grant to the Participants a maximum number of:

- (a) 500,000 PSOs at an Exercise Price of RON 20 per Purcari Share;
- (b) 625,000 PSOs at an Exercise Price of RON 30 per Purcari Share; and
- (c) 750,000 PSOs at an Exercise Price of RON 40 per Purcari Share, in any combination.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the stock option plan by increasing the maximum number of stock options on each level, while the corresponding Exercise Prices to be decreased, as follows:

- (a) from 500,000 stock options at an Exercise Price of RON 20 per share to 1,000,000 stock options at an Exercise Price of RON 10 per share;
- (b) from 625,000 stock options at an Exercise Price of RON 30 per share to 1,250,000 stock options at an Exercise Price of RON 15 per share; and
- (c) from 750,000 stock options at an Exercise Price of RON 40 per share to 1,500,000 stock options at an Exercise Price of RON 20 per share.

During 2022 the participants didn't exercise any rights to purchase shares at Exercise Price (2021: 117.500 shares at the Exercise Price of RON 10 per shares).

The table below summarizes the movements in stock options between 1 January 2021 and 31 December 2022, and weighted average exercise price:

	<b>Stock options with exercise price @RON 10</b>	<b>Stock options with exercise price @RON 15</b>	<b>Stock options with exercise price @RON 20</b>	<b>Weighted average exercise price</b>
Outstanding Stock Options @ 01.01.2022	<b>772,500</b>	<b>1,090,800</b>	<b>1,291,600</b>	<b>15.82</b>
Stock options granted during the year	-	-	-	-
Stock options exercised	-	-	-	-
<b>Outstanding Stock Options @ 31.12.2022</b>	<b>772,500</b>	<b>1,090,800</b>	<b>1,291,600</b>	<b>15.82</b>
Outstanding Stock Options @ 01.01.2021	-	-	-	-
Stock options granted during the year	445,000	545,400	645,800	15.61
Adjusted stock options to count the effect of issue of bonus shares	445,000	545,400	645,800	15.61
<b>Total stock options granted during the year</b>	<b>890,000</b>	<b>1,090,800</b>	<b>1,291,600</b>	<b>15.61</b>
Stock options exercised	117,500	-	-	-
<b>Outstanding Stock Options @ 31.12.2021</b>	<b>772,500</b>	<b>1,090,800</b>	<b>1,291,600</b>	<b>15.82</b>

## Note 29. Financial instruments

### Financial instruments by category

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Financial assets measured at amortised cost</b>		
Non-current receivables (Note 10)	-	2,552,630
Loan receivables (Note 11)	2,865,671	849,489
Cash and cash equivalents (Note 15)	23,455,132	32,100,114
Trade receivables (Note 13)	76,248,421	57,190,885
	<b>102,569,224</b>	<b>92,693,118</b>
<b>Financial assets measured at FVTPL</b>		
Equity instruments at fair value through profit or loss (Note 10)	4,621,285	4,341,709
<b>Total financial assets</b>	<b>107,190,509</b>	<b>97,034,827</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables (Note 19)	78,310,095	69,450,633
Borrowings and lease liabilities (Note 17)	132,643,283	97,984,663
<b>Total financial liabilities</b>	<b>210,953,378</b>	<b>167,435,296</b>

### Financial risk management

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Carrying amount</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>
Non-current receivables	-	2,552,630
Loan receivables	2,865,671	849,489
Cash and cash equivalents	23,455,132	32,100,114
Trade receivables	76,248,421	57,190,885
<b>Total</b>	<b>102,569,224</b>	<b>92,693,118</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

**Trade receivables and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables based on this assessment and establishes a maximum payment period in its agreements with customers. The creditworthiness assessment is updated each time by the Group when there is a significant delay in the payment period compared to the maximum payment period agreed contractually or when the Group extends or amends the agreements with its customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's most significant 10 customers account for RON 22,121,947 or 39% of the trade receivables' carrying amount as at 31 December 2022 (2021: RON 30,096,739 or 53% of the trade receivables' carrying amount).

Revenues from transactions with a single external customer of 10% or more of the Group's revenues were as follows:

	<u>2022</u>	<u>2021</u>
Revenues from transactions with a customer from Republic of Moldova	45,455,308	27,835,448
Revenues from transactions with a customer from Romania	42,359,196	27,326,482
<b>Total</b>	<b><u>87,814,504</u></b>	<b><u>55,161,930</u></b>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Republic of Moldova	6,795,844	10,228,574
Romania	56,008,418	39,534,813
Other European Union countries	6,254,698	4,260,471
Other	2,289,067	577,500
Belarus	508,077	586,216
Ukraine	4,392,317	2,003,311
<b>Total</b>	<b><u>76,248,421</u></b>	<b><u>57,190,885</u></b>

The exposure to credit risk includes a trade receivable from Austria in amount of RON 2,505,883 which is due on 9 December 2023 (please see Note 10). Previously, this receivable was included in non-current receivables (2021: RON 2,552,630).

The exposure to credit risk of loan receivables in amount of RON 2,865,671 (2021: 849,489) at the reporting date by geographic region was from Czech Republic (please see Note 11).

*Impairment losses*

The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a "delinquency" method.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

	<u>Weighted- average loss rate</u>	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>
Not due	2.88%	58,947,505	1,695,661	57,251,844
Overdue less than 1 month	1.03%	9,521,753	97,785	9,423,968
Overdue 1 to 3 months	12.91%	6,020,683	777,051	5,243,632
Overdue 3 to 6 months	0.16%	2,865,189	4,713	2,860,476
Overdue 6 months to 1 year	43.69%	1,766,126	771,591	994,535
Overdue more than 1 year	30.36%	680,614	206,648	473,966
<b>Total</b>	<b><u>4.45%</u></b>	<b><u>79,801,870</u></b>	<b><u>3,553,449</u></b>	<b><u>76,248,421</u></b>

Loss rates are based on actual credit loss experience over the past four years.

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	<u>Weighted- average loss rate</u>	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>
Not due	3.26%	47,859,045	1,562,470	46,296,575
Overdue less than 1 month	4.77%	6,789,716	324,166	6,465,550
Overdue 1 to 3 months	7.01%	2,429,366	170,382	2,258,984
Overdue 3 to 6 months	13.02%	1,818,535	236,774	1,581,761
Overdue 6 months to 1 year	43.81%	683,053	299,242	383,811
Overdue more than 1 year	89.58%	1,960,285	1,756,081	204,204
<b>Total</b>	<b><u>7.07%</u></b>	<b><u>61,540,000</u></b>	<b><u>4,349,115</u></b>	<b><u>57,190,885</u></b>

Loss rates are based on actual credit loss experience over the past four years.

The movement in the allowance for impairment with respect to trade receivables and loan receivables during the year was as follows:

	<u>Trade receivables</u>
<b>Balance 31 December 2020</b>	<b><u>1,839,795</u></b>
Increase through business combinations	426,337
(Reversal of) impairment loss	2,550,417
Write off	(283,620)
Interest income	(184,406)
Effect of movement in exchange rates	592
<b>Balance 31 December 2021</b>	<b><u>4,349,115</u></b>
Increase through business combinations	209,252
(Reversal of) impairment loss	93,906
Write off	(296,482)
Interest income	(357,413)
Effect of movement in exchange rates	(444,929)
<b>Balance 31 December 2022</b>	<b><u>3,553,449</u></b>

The impairment allowance of receivables are used to record impairment losses, unless the Group believes that no recovery of the amount is possible, in which case the allowances for amounts considered irrecoverable are written off against the financial asset.

**Cash and cash equivalents**

The Group held cash and cash equivalents of RON 23,304,757 at 31 December 2022 (2021: RON 31,935,828), which represent its maximum credit exposure on these assets. 60% of cash and cash equivalents as at 31 December 2022 (2021: 87%) are held with banks, from which the Group has secured loans. 51% of cash and cash equivalents as at 31 December 2022 are held with Unicredit Bank SA Romania with Fitch credit rating BBB (2021: 14% and credit rating BBB).

## Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade receivables together with expected cash outflows on borrowings and lease liabilities and trade and other payables. The shortages in working capital and cash outflows for investment activities are financed through new credit facilities made available by the banks.

The following were the estimated cash outflows for trade and other payables and contractual maturities of borrowings and lease liabilities, including estimated interest payments and excluding the impact of netting agreements:

<b>Monetary liabilities</b>	<b>Carrying Amount</b>	<b>Total Contractual Cash Flow</b>	<b>Less than 1 month</b>	<b>Between 1 – 12 months</b>	<b>Between 1-2 years</b>	<b>More than 2 years</b>
<b>31 December 2022</b>						
Trade and other payables	78,310,095	88,055,004	34,310,171	53,744,833	-	-
Borrowings and lease liabilities	132,643,283	135,107,845	1,894,569	92,752,667	4,740,857	35,719,752
<b>Total</b>	<b>210,953,378</b>	<b>223,162,849</b>	<b>36,204,740</b>	<b>146,497,500</b>	<b>4,740,857</b>	<b>35,719,752</b>
<b>31 December 2021</b>						
Trade and other payables	69,450,633	69,450,631	28,533,781	40,916,850	-	-
Borrowings and lease liabilities	97,984,663	109,058,454	1,739,941	74,488,003	3,937,961	28,892,549
<b>Total</b>	<b>167,435,296</b>	<b>178,509,085</b>	<b>30,273,722</b>	<b>115,404,853</b>	<b>3,937,961</b>	<b>28,892,549</b>

As at 31 December 2022, the Group had not complied with the Debt Service ratio covenant for secured bank loans from BC MAIB SA (see Note 17). Therefore, the Group classified the long term liabilities as current liabilities of RON 43,063,432 as at 31 December 2022 in these consolidated financial statements.

In 2021, the Group had also not complied with the Debt to Equity ratio covenant for secured bank loans from BC MAIB SA and classified the long term liabilities as current liabilities of RON 32,391,472 as at 31 December 2021.

In March 2022, BC MAIB SA notified the borrower that this breach of covenant will not be considered a default, therefore the Group is not required to make an earlier repayment of the loans.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group does not use derivatives (interest rate or foreign exchange swaps) as hedging instruments under a fair value hedge accounting model. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

### Currency risk

The following significant exchange rates applied during the year:

	31 December 2022	Average 2022	31 December 2021	Average 2021
MDL1	0.0522	0.2353	0.2463	0.2353
EUR 1	4.9474	4.9315	4.9481	4.9204
USD 1	4.6346	4.6885	4.3707	4.1604

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are EUR, USD, MDL and RON.

The summary of quantitative data about the Group's monetary assets and monetary liabilities in original currency provided to management of the Group based on its risk management policy was as follows:

	EUR	USD	MDL	RON	Total
<b>31 December 2022</b>					
<b>Monetary assets</b>					
Loan receivables	2,407,049	-	-	-	2,407,049
Cash and cash equivalents	3,657,295	7,873,037	2,302,013	9,622,787	23,455,132
Trade receivables	18,261,874	6,035,545	9,092,323	42,858,679	76,248,421
<b>Total monetary assets</b>	<b>24,326,218</b>	<b>13,908,582</b>	<b>11,394,336</b>	<b>52,481,466</b>	<b>102,110,602</b>
<b>Monetary liabilities</b>					
Borrowings and lease liabilities	107,372,823	2,092,337	22,530,063	648,060	132,643,283
Trade and other payables	3,579,338	13,314,102	27,660,811	33,755,844	78,310,095
<b>Total monetary liabilities</b>	<b>110,952,161</b>	<b>15,406,439</b>	<b>50,190,874</b>	<b>34,403,904</b>	<b>210,953,378</b>
<b>Net statement of financial position exposure</b>	<b>(86,625,943)</b>	<b>(1,497,857)</b>	<b>(38,796,538)</b>	<b>18,077,562</b>	<b>(108,842,776)</b>
<b>31 December 2021</b>					
<b>Monetary assets</b>					
Non-current receivables	2,552,630	-	-	-	2,552,630
Loan receivables	849,489	-	-	-	849,489
Cash and cash equivalents	21,301,212	3,103,079	2,469,397	5,226,426	32,100,114
Trade receivables	6,580,181	4,907,203	10,201,887	35,501,614	57,190,885
<b>Total monetary assets</b>	<b>31,283,512</b>	<b>8,010,282</b>	<b>12,671,284</b>	<b>40,728,040</b>	<b>92,693,118</b>
<b>Monetary liabilities</b>					
Borrowings and lease liabilities	71,208,737	7,507,822	18,219,792	1,048,312	97,984,663
Trade and other payables	5,563,757	5,176,133	24,265,267	34,445,476	69,450,633
<b>Total monetary liabilities</b>	<b>76,772,494</b>	<b>12,683,955</b>	<b>42,485,059</b>	<b>35,493,788</b>	<b>167,435,296</b>
<b>Net statement of financial position exposure</b>	<b>(45,488,982)</b>	<b>(4,673,673)</b>	<b>(29,813,775)</b>	<b>5,234,252</b>	<b>(74,742,178)</b>

## Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

### Exposure to currency risk

For monetary assets and liabilities, the Group is exposed to currency risk only for balances denominated in EUR and USD.

### Sensitivity analysis

A 10% strengthening of the EUR against RON and MDL would have decreased the profit before tax by RON 9,177,466 for the year 2022 (2021: RON 4,548,898). A 10% strengthening of the USD against RON and MDL would have increased the profit before tax by RON 124,381 for the year 2022 (2021: RON 467,367). This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been carried out on the same basis for the years 2022 and 2021, although the reasonably possible foreign exchange rate variances were different.

### Interest rate risk

#### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows.

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Fixed rate instruments</b>		
Financial assets	-	3,402,119
Financial liabilities	<u>(4,034,517)</u>	<u>(7,267,174)</u>
<b>Total fixed rate instruments</b>	<u><b>(4,034,517)</b></u>	<u><b>(3,865,055)</b></u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	<u>(128,013,950)</u>	<u>(89,401,294)</u>
<b>Total variable rate instruments</b>	<u><b>(128,013,950)</b></u>	<u><b>(89,401,294)</b></u>

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not use derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

An increase/ decrease of 100 basis points in interest rates at the reporting date would have decreased/ increased the profit before tax by RON 906,383 for the year 2022 (2021: RON 894,012). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratios as at 31 December 2022 and 31 December 2021 were as follows:

	<u>31 December 2022</u>	<u>31 December 2021 (restated)</u>
Borrowings and lease liabilities (Note 17)	101,098,914	97,984,663
Less: Cash and cash equivalents (Note 15)	(24,491,385)	(32,100,114)
Net debt	76,607,529	65,884,549
Total equity	273,395,979	263,203,182
<b>Total capital</b>	<u><b>350,003,508</b></u>	<u><b>329,087,731</b></u>
<b>Gearing ratio</b>	<u><b>21.89%</b></u>	<u><b>20.02%</b></u>



## Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

The Group has borrowing agreements concluded with banks, which require that covenants have to be met in accordance with provisions of those agreements. The Group's management assesses on a yearly basis whether these covenants have been met and that ratios stated by the banks are within the required threshold.

According to laws and regulations in Romania, the net assets of the Group's subsidiaries domiciled in this country (Crama Ceptura SRL, Vinoteca Gherasim Constantinescu SRL, Ecosmart Union SA), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than half of the subscribed share capital. All subsidiaries domiciled in Romania complied with this capital requirement based on the unaudited statutory financial statements, except for Vinoteca Gherasim Constantinescu SRL, therefore an extraordinary general meeting of shareholders should be organized to decide on the measures to be implemented as required by the legislation in force.

According to laws and regulations in the Republic of Moldova, the net assets of the Group's subsidiaries domiciled in this country (Vinaria Bostavan SRL, Vinaria Purcari SRL, Vinaria Bardar SA, Domeniile Cuza SRL, Casa Purcari SRL), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than the subscribed share capital. The Group's subsidiaries domiciled in Republic of Moldova complied with this capital requirement based on the audited statutory financial statements.

According to laws and regulations in the Bulgaria, the net assets of the Group's subsidiary domiciled in this country (Angel's Estate SA), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than the subscribed share capital. Angel's Estate SA complied with this capital requirement based on the unaudited statutory financial statements.

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are presented in the below table. The table does not include the financial assets and liabilities which are not measured at fair value, if the carrying amount approximates the fair value.

	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<b>Financial liabilities</b>				
Borrowings and lease liabilities	132,643,283	96,686,519	96,857,834	99,995,021

Financial assets measured at fair value are disclosed in Note 10 to the consolidated financial statements.

#### *Interest bearing borrowings and lease liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities the market rate of interest is determined by reference to similar lease agreements.

The fair value measurement of the above assets and liabilities for disclosure purposes has been categorized as a Level 3 fair value (see Note 4 b)).

#### Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are based on market interest rates at the reporting date, and were as follows:

	31 December 2022	31 December 2021
Borrowings and lease liabilities denominated in MDL	8.00-16.46%	8.04%-9.08%
Borrowings and lease liabilities denominated in RON	1.65%-2.33%	1.65%-2.33%
Borrowings and lease liabilities denominated in EUR and USD	3.40%-4.86%	4.00%-4.86%

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
all amounts are in RON, unless stated otherwise

**Note 30. Non-controlling interests**

The following table summarized the information relating to each of the Group's subsidiaries that has non-controlling interests, before any intra-group eliminations.

<b>31 December 2022</b>	<b>Angel's Estate</b>	<b>Ecosmart Union</b>	<b>Vinaria Bardar</b>	<b>Intragroup eliminations</b>	<b>Total</b>
<b>NCI percentage</b>	<b>24.00%</b>	<b>34.25%</b>	<b>43.95%</b>		
Non-current assets	27,799,743	12,255,818	12,685,134		
Current assets	8,107,550	8,243,525	58,382,444		
Non-current liabilities	(5,833,119)	(1,916,882)	(5,896,923)		
Current liabilities	(2,218,963)	(18,893,076)	(17,405,652)		
<b>Net assets</b>	<b>27,855,211</b>	<b>(310,615)</b>	<b>47,765,003</b>		
<b>Carrying amount of NCI</b>	<b>6,685,521</b>	<b>(106,386)</b>	<b>20,991,665</b>	<b>1,350,978</b>	<b>28,921,508</b>
Revenue	3,003,403	21,549,203	26,392,928		
Profit /(loss)	(287,330)	(531,333)	9,427,441		
OCI	-	76,131	(309,891)		
<b>Total comprehensive income</b>	<b>(287,330)</b>	<b>(455,202)</b>	<b>9,117,550</b>		
<b>Profit /(loss) allocated to NCI</b>	<b>(68,959)</b>	<b>(181,982)</b>	<b>4,143,152</b>	<b>377,310</b>	<b>4,269,521</b>
<b>OCI allocated to NCI</b>	<b>-</b>	<b>26,075</b>	<b>(136,190)</b>	<b>487,872</b>	<b>377,756</b>
<b>31 December 2021</b>		<b>Ecosmart Union</b>	<b>Vinaria Bardar</b>	<b>Intragroup eliminations</b>	<b>Total</b>
<b>NCI percentage</b>		<b>34.25%</b>	<b>43.95%</b>		
Non-current assets		14,321,066	12,122,318		
Current assets		11,021,519	54,952,827		
Non-current liabilities		(2,172,308)	(5,162,189)		
Current liabilities		(22,900,872)	(15,699,079)		
<b>Net assets</b>		<b>269,405</b>	<b>46,213,877</b>		
<b>Carrying amount of NCI</b>		<b>92,271</b>	<b>20,309,979</b>	<b>(187,007)</b>	<b>20,215,243</b>
Revenue		10,822,974	25,808,288		
Profit /(loss)		(521,524)	9,829,307		
OCI		49,769	2,873,325		
<b>Total comprehensive income</b>		<b>(471,755)</b>	<b>12,702,632</b>		
<b>Profit /(loss) allocated to NCI</b>		<b>(178,622)</b>	<b>4,319,763</b>	<b>(4,462)</b>	<b>4,136,679</b>
<b>OCI allocated to NCI</b>		<b>17,046</b>	<b>1,262,763</b>	<b>184,889</b>	<b>1,464,698</b>

During the year ended 31 December 2022 the Group's subsidiary Vinaria Bardar SA declared dividends, from which the share of non-controlling interests amounted to RON 2,458,649 (2021: RON 1,511,348).

During the year ended 31 December 2021 the Group increased its shareholding in the subsidiary Vinaria Bostavan SRL from 99.54% to 100% by acquiring shares from non-controlling interests of the subsidiary.

The following table summarizes the effect of changes in the non-controlling interests acquired:

	<b>2022</b>	<b>2021</b>
Carrying amount of non-controlling interests acquired	-	437,583
Less consideration paid to non-controlling interests	-	(5,061)
<b>Increase in equity attributable to owners of the Company</b>	<b>-</b>	<b>432,522</b>

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022  
*all amounts are in RON, unless stated otherwise*

**Note 31. Related parties**

The Group's related parties for the years 2022 and 2021 were the following:

Name of the entity	Relationship with the Company
Key management personnel	Members of board of directors of the Company, CEOs, COO, CFO and Sales Director of Group entities
Victor Bostan	CEO, Member of the Board of Directors, significant shareholder through Amboselt Universal Inc.
Agro Sud Invest SRL	Entity controlled by a key member of management through a significant shareholding
BSC Agro SRL	Entity controlled by a key member of management through a significant shareholding
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Ecosmart Union SA	An associate company till 15 September 2021
Media Alternativa AO	Common member in the board of directors
BC Moldova Agroindbank SA	Common member in the board of directors of the Company and of the Bank

**Key management personnel and other related party transactions:**

	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2022	2021	2022	2021
<b>Victor Bostan</b>				
- Salaries and bonuses for performance	(1,192,137)	(1,060,041)	(1,803,841)	(1,102,570)
<b>Ecosmart Union SA</b> (the cost is based on tariff per ton and the payment is made within 10 days from receipt of invoices)				
- Other expenses	-	(1,896,678)	-	-
<b>Victoriavin SRL</b> (for terms and conditions please refer to Note 1)				
- Lease liabilities	-	-	(3,925,464)	(3,894,567)
- Interest expense	(406,611)	(415,972)	-	-
- Trade payables	-	-	(5,422)	(5,545)
- Operating leases	(47,616)	(45,178)	-	-
- Acquisition of inventories	(3,997)	-	-	-
<b>BC Moldova Agroindbank SA</b> (for terms and conditions please refer to Note 17)				
- Sales of merchandise	77,399	6,745	-	-
- Interest expense	(2,812,067)	(2,880,011)	-	-
- Bank charges	(243,091)	(234,317)	-	-
- Secured bank loans	16,530,754	-	(73,741,878)	(55,803,095)
- Cash and cash equivalents	-	-	6,788,004	21,065,011
<b>Agro Sud Invest SRL</b> (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(5,473,242)	(4,253,693)	-	-
- Trade payables	-	-	(1,182,472)	(1,070,597)
<b>BSC Agro SRL</b> (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(7,251,766)	(5,834,900)	-	-
- Trade payables	-	-	(1,448,705)	(1,127,617)

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise***Key management personnel and other related party transactions (continued):**

	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2022	2021	2022	2021
<b>Media Alternativa AO</b> (non-recurring promo services based on tariff per work)				
- Sales of merchandise	38,572	-	-	-
- Trade receivables	-	-	9,068	-
- Marketing services	(26,701)	-	-	-
<b>Key management personnel</b>				
- Salaries and bonuses for performance	(5,603,990)	(5,236,152)	(2,947,851)	(2,491,011)
- Equity-settled share-based payment	671,905	(4,190,014)	(273,472)	(3,262,251)

**Note 32. Commitments and contingencies***(i) Capital commitments*

As at 31 December 2022 the Group has a commitment for purchase of property, plant and equipment amounting EUR 6,000,000 deriving from the arrangements related to acquisition of subsidiary Angel's Estate SA in Bulgaria (2021: nil). The amount of EUR 1,325,000 is committed for next 12 months.

*(ii) Litigations and claims*

The Group is involved in several litigation or disputes. The Group does not present information and did not set-up provisions for these items, as the management assessed as remote the probability of outflow of economic benefits, because it considers unlikely unfavourable outcome of the litigations.

The Group's subsidiary Ecosmart Union SA contested the results of the control performed by the Environment Fund Administration ("AFM") from Romania. As a result of AFM control for financial year 2018, a penalty of RON 22,206,627 was calculated alleging that Ecosmart Union SA failed to ensure traceability for the quantity of waste assumed to be further recycled. Ecosmart Union SA contested the initial decision of the AFM and it was cancelled by AFM due to procedural issues and a second review was requested. However, second review was performed without requesting any additional information and communication with Ecosmart Union SA's management, and a decision identical with the first one was issued. Ecosmart Union SA contested also the second decision and requested a delay in repayment till finalization of the trial - which was approved. At this stage the litigation is at Appeal Court and a review of tax expert was requested. Based on legal advice, management believes that the defence against the action will be successful due to both: procedural issues related to control performed and the fact that Ecosmart Union SA holds all supporting documents confirming traceability for the quantity of waste assumed to be further recycled.

*(iii) Fiscal environment*

The tax laws and regulations in Romania, Moldova and Cyprus may be subject to change, and there may be changes in interpretation and enforcement of tax law. The tax systems in these countries can be characterized by numerous taxes and frequently changing legislation, open to interpretation and in some cases are conflicting. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for the Group to predict, and the Group may therefore be unprepared for these changes. As a result, the Group may face increases in taxes payable if tax laws or regulations are modified by the competent authorities in an adverse manner or are interpreted in a way that is different from Group's interpretation, which could have a material adverse effect on the Group's financial statements, as influenced by additional tax liabilities, including fines, penalties and charged interest.

Tax audits consists of detailed verifications of the accounting records of taxpayers. These audits sometimes take place months, or even years, after the date liabilities are established. Tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed in Romania, a four-year period in Republic of Moldova and six years in Cyprus. Consequently, companies may be found liable for significant taxes and fines.

The Group regularly makes assessment of tax risks and establishes tax provisions, which represent management's best estimate, also based on consultations with relevant tax advisors. Management believes that it has adequately provided for

**Purcari Wineries Public Company Limited**

Notes to the Preliminary Unaudited Consolidated Financial Statements for the year ended 31 December 2022

*all amounts are in RON, unless stated otherwise*

tax risks and liabilities. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**Note 33. EBITDA**

Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) is calculated as profit for the year (as presented in the consolidated statement of profit or loss and other comprehensive income), and adding back the income tax, net finance result and total amortization of intangible assets and total depreciation of property plant and equipment (as presented in Notes 8 and 12).

The management of the Group has presented EBITDA as they monitor this performance measure at a consolidated level, and they believe this measure is relevant to an understanding of the Group’s financial performance.

EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. Consequently, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

EBITDA for the years ended 31 December 2022 and 31 December 2021 was as follows:

	<b>Indicator</b>	<b>Note</b>	<b>2022</b>	<b>2021 (restated)</b>
<b>Adjusted EBITDA</b>	<b>Adjusted EBITDA</b>		<b>81,516,439</b>	<b>75,241,138</b>
Less Gain from Bargain Purchase of Angel's Estate SA		<b>8</b>	14,027,120	-
<b>EBITDA</b>	<b>EBITDA</b>		<b>95,543,559</b>	<b>75,241,138</b>
Less: depreciation for the year		<b>8</b>	(16,932,701)	(13,341,517)
Less: amortization for the year		<b>12</b>	(1,160,310)	(420,820)
<b>Result from operating activities</b>	<b>EBIT</b>		<b>77,450,548</b>	<b>61,478,801</b>
Less: net finance (loss) / income		<b>26</b>	(10,066,100)	87,630
<b>Earnings Before Income Taxes</b>	<b>EBT</b>		<b>67,384,448</b>	<b>61,566,431</b>
Less: tax expense		<b>27</b>	(10,170,897)	(10,415,583)
<b>Profit for the year</b>			<b>57,213,551</b>	<b>51,150,848</b>

**Note 34. Events after the reporting period**

There were no further material events after the reporting period.